

Hampshire County Council, Basingstoke & Deane  
Borough Council, Hart District Council, Rushmoor Borough  
Council



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Planners and Development Economists

# ECONOMIC GROWTH AND EMPLOYMENT LAND REQUIREMENTS IN NORTH HAMPSHIRE

Final Report  
June 2008

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## EXECUTIVE SUMMARY

- 1.1 Like the rest of the South East, North Hampshire (which covers the districts of Basingstoke & Deane<sup>1</sup>, Hart and Rushmoor ) needs to prepare for significant growth in population and employment over the next 20 years. According to the South East Plan, this may lead to a shortfall in employment land of 40-60 ha. Hampshire County Council and the three districts commissioned this study to investigate the soundness of this figure and inform their next steps with regards to planning policy.
- 1.2 According to the national and regional policy context, the key factors which will influence future requirements for employment land are:
- The ability and commitment of the districts to deliver sustainable development and smart growth. North Hampshire has experienced high growth levels compared to the rest of the country and even the South East. In order to sustain these and enhance quality of life, it will require new, smarter production and consumption processes which deliver high value outputs using fewer resources and limiting environmental damage.
  - Other land needs, especially housing. As mentioned earlier, population in North Hampshire is set to grow dramatically and a large number of new dwellings will need to be built to accommodate new residents. The value of residential property further adds to the pressure on employment land. Therefore, although the districts must provide enough employment land to support economic growth, there is an opportunity cost to allocating land for B-use.
  - The need for flexibility. 'Draft PPS4 - Planning for Sustainable Economic Development' points out that the planning system needs to favour a flexible approach and choose policies which will enable an efficient response to change in order to avoid constraining economic growth.
  - Whether Basingstoke can fulfill its role as Diamond for Investment and Growth and regional hub. Basingstoke & Deane Borough Council has recognised the challenge this represents and has taken a pro-active approach to ensure it delivers.
- 1.3 In addition to these strategic factors, local market dynamics determine what floorspace is provided and required on the ground by businesses and what changes can realistically be expected for the future:
- The property market in North Hampshire relies mostly on business / industrial parks which are land-intensive. The ability to offer car parking and their location on the road network is key to their attractiveness. They will continue to account for most of the stock in the foreseeable future.
  - The main area able to deliver high density office development on a large scale is Basing View, in Basingstoke, but a number of issues need to be resolved before it can be achieved. As it stands, Basingstoke struggles to compete as an office location.
  - Overall the office market in North Hampshire still experiences significant levels of vacancy and low rents which hinder investors' interest.
  - The industrial / warehousing market is more successful with healthy levels of demand and rent for good quality space. However levels of vacancy still suggest some mismatch between business needs and local provision.
- 1.4 Initial estimates were produced by DTZ for the potential land requirements deriving from a range of employment and GVA growth scenarios over the next 20 years.

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<sup>1</sup> To avoid confusion, we refer to the district as Basingstoke & Deane and to the town as Basingstoke.

- 1.5 In agreement with the client group, we selected two preferred scenarios on which to focus our analysis: the “low” scenario assumes a 3% GVA growth and 2.3% productivity growth while the “high” scenario assumes a 3.5% GVA growth and 2.5% productivity growth. The first scenario takes a conservative approach in view of North Hampshire’s past performance compared to the region and the UK but it is more aligned with smart growth objectives by relying on larger productivity gains than the second scenario.
- 1.6 We reviewed the assumptions behind the DTZ model for forecasting land and floorspace demand and found that:
- The need for B8 floorspace was over-estimated due to the use of a low job density (80 sqm per worker). We suggested using 60 sqm per worker.
  - The use of a 70% plot ratio for office development is unrealistic for North Hampshire and leads to a critical under-estimation of the amount of land needed to house the expected growth in B1 employment. We feel a 35% ratio is more realistic and we have also explored the potential for this ratio to rise to 50% in the future.
  - The 25 sqm job density for office workers used in the model is too low. We excluded it and only looked at the higher density assumption i.e 20 sqm per worker.
  - Taking B2 space out of the analysis was not convincingly justified especially considering the model’s projections of a very large drop in industrial employment.
- 1.7 Taking into account these findings, we produced our own forecasts for B-use land and floorspace. These were then compared to the amount of space currently in the supply pipeline to ascertain whether a shortfall in land was likely in the future and if so, to what extent.
- 1.8 By combining the permitted floorspace, the floorspace likely to be generated by allocations and any surplus vacant floorspace we were able to provide an estimate for the total supply pipeline in North Hampshire for B1 and B8. There are approximately 519,000 sqm of B1 and 358,500 sqm of B8 in the pipeline.
- 1.9 Under our preferred scenarios, RTP estimates B1 requirements to reach 385,100 sqm and 535,700 sqm for Scenario 5 and Scenario 7 respectively. B8 requirements are estimated at 96,000 sqm to 56,000 sqm respectively.
- 1.10 **Except for a small possible shortfall of 16,600 of B1 floorspace under Scenario 7, the pipeline covers the floorspace requirements for B1 and B8 under all other scenarios. In fact, the most likely outcome for both uses is an over-supply of floorspace and land.**
- 1.11 Whilst our quantitative analysis shows that, at North Hampshire level, the pipeline broadly meets future requirements, the reality is more complex. Two core questions are not addressed: will the supply offer the “right” mix of uses and premises and will its geographical distribution support Basingstoke’s strategic role as a regional hub? In terms of planning policy, it means that monitoring and a responsive approach to employment land reviews’ findings is crucial.
- 1.12 Generally, we concluded that although North Hampshire may not need to allocate additional land, it still needs to review its planning policies to support a flexible approach because:
- Intensification of use only offers a limited solution to a possible shortfall because of the type of space on offer in North Hampshire. Most of the stock is in edge-of-town business / industrial parks with low plot ratios which are unlikely to be altered because of the need to offer car parking space.
  - Transfer of B2 land to other uses because of the continued decline in industrial employment may add to North Hampshire’s reserve of land.

- The likely over-supply in B8 space may require a review of allocations and the capacity to consider other uses.
- 1.13 Generally, a flexible approach is crucial to strike the balance between providing enough employment land to support economic growth and preventing an over-supply of the “wrong” type of land which can be detrimental to the operation of the property market.

Economic growth and employment requirements in North Hampshire  
Final report

## 2 INTRODUCTION

- 2.1 Like the rest of the South East, Hampshire needs to prepare for significant growth in population and employment over the next 20 years. The complex and evolving links between population, economic structure, work practices and travelling patterns mean that it is difficult to assess its implications on land requirements for the long-term. Yet it is critical that local authorities provide sufficient amounts of land, as well as the right mix, to support their future economic growth.
- 2.2 A further challenge in an already heavily populated area like the South East is to achieve this in a sustainable way. This means two things: minimising development on greenfield and balancing housing and employment provision. It places added pressure on local authorities to implement the right policies. It may seem obvious but is often forgotten in such studies as these which only look at one side of the equation: land is a very finite resource and land allocated for one use can not be for another.
- 2.3 For this reason, in a strategic study such as this, we can not just be satisfied with producing the highest, most optimistic estimates in order to support the protection of employment land at the expense of other uses. It has to be justified.
- 2.4 In North Hampshire, which covers the districts of Basingstoke & Deane<sup>2</sup>, Hart and Rushmoor, an initial shortfall of 40-60 hectares was identified and included in the South East Plan (SEP). However the soundness of this figure was questioned for a number of reasons including:
- the lack of clear explanations on the origins of this figure;
  - conflicting findings from a number of recent employment land studies which suggests Hart and Rushmoor might not need additional employment land; and
  - the fact that these figures were not viewed in the light of the local property markets.
- 2.5 The desire of the Panel to preserve what quantification there is in the South East Plan has convinced Hampshire County Council and the North Hampshire local authorities to commission a study which would clarify the issue of land requirement in North Hampshire as a whole, provide more robust figures for the South East Plan and inform future employment land policies.

### Study objectives and brief

- 2.6 As mentioned in the brief, the study aims to:
- Provide a clear understanding of the employment land required in North Hampshire to support economic growth over the next 20 years. This will not involve generating new forecasts, only reviewing the assumptions of those produced by DTZ for the county;
  - Assess the extent to which the current provision can meet these requirements, particularly through higher density development and redevelopment in line with the principles of SMART growth;
  - Suggest the most effective means to provide for any shortfall identified;
  - Develop a view on the likely geographical distribution of land by district with a particular interest in Basingstoke & Deane and whether it can realistically deliver most of the new development as stated in the SEP.

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<sup>2</sup> To avoid confusion, in the rest of the report we refer to the district as Basingstoke & Deane and to the town as Basingstoke.

## Our approach

- 2.7 It is important to remember that this study takes a strategic approach to employment land use in North Hampshire. It is the responsibility of individual districts to provide employment land studies as part of the evidence base for their Local Development Framework. Rushmoor and Hart have already completed theirs and Basingstoke & Deane's is underway.
- 2.8 Our approach combines quantitative analysis and qualitative local knowledge to determine whether the numbers make sense in the North Hampshire context. We will:
- Review the policy context which will influence land provision and requirement;
  - Review employment land studies and other relevant local studies;
  - Carry out an analysis of the local property markets;
  - Assess local demand based on DTZ forecasts and reality-check their assumptions;
  - Compare the forecasts to the supply pipeline, separating the different use classes;
  - Assess a number of key sites for intensification potential.
  - Draw conclusions on North Hampshire's land needs for the next 20 years.

## 3 THE POLICY CONTEXT

### Introduction

- 3.1 For any employment land study it is crucial to understand the policy context for a number of reasons:
- Planning policy sets the framework in which the property market operates. It has the ability to influence investment by providing certainty of land use and improvements in infrastructure. As such it can affect productivity, employment and local economic performance;
  - As everything else, the planning context evolves over time, new priorities appear, others become obsolete. These changes respond to trends in the national environment which need to be taken into account for the future. These can include potential constraints on future growth;
  - The policy context highlights the hierarchy of settlements and their key linkages within and outside the study area. It also establishes the framework in which the districts will evolve for years to come by articulating local and regional ambitions.
- 3.2 We need to take into account the realisation that there is a “need for greater integration between the planning system and wider economic strategies, programmes and initiatives” as advised in “Planning for economic development” (ODPM, 2004) so we will review key planning documents at all geographical levels as well as the corresponding economic development strategies. They include:
- Strategic policies to which the North Hampshire authorities’ emerging LDFs will be required to conform such as the emerging South East Plan, the Regional Economic Strategy and what remains of the Structure Plan;
  - Relevant local planning policies in place which the LDFs will replace and update, i.e the Local Plans, as well as the evidence base which will inform them;
- 3.3 However, to avoid a long drawn-out document, we only focus on the elements of these documents directly relevant to this study. Specifically, as the purpose of this report is not to provide individual policy recommendations to the districts, we will not linger on the policy-making aspects of these documents unless they are directly relevant to our remit.

### National planning policy:

#### *Planning Policy Statement 1 (PPS1)*

- 3.4 Without going into too much detail, we mention PPS1 here as a reminder of the core principle underlying planning at a national level, and therefore trickling down to the local level: sustainable development.
- 3.5 In planning terms, this means focusing development in existing towns and villages and preventing urban sprawl by encouraging the re-use of developed land.
- 3.6 At an economic level, it calls for a balanced approach between housing and jobs which we will need to bear in mind in this study. PPS1 highlights the need to have planning policies that are able to respond to economic change; deal with the need to co-ordinate it with infrastructure and housing provision; and provide a mix of premises for businesses of all sizes.

### *From Planning Policy Guidance 4 (PPG4) to Planning Policy Statement 4 (PPS4)*

- 3.7 PPG4, and its emerging successor PPS4, focus on industrial and commercial land planning implications and what approach should be taken in order to deliver economic development.
- 3.8 PPG4 takes a positive approach to new business developments as long as they support a reduction in road travel by car and do not create significant environmental harm.
- 3.9 It states that development plans should give industrial and commercial developers and local communities greater certainty about the types of development that will or will not be permitted in a given location. Planning authorities should therefore ensure that their development plans contain clear land-use policies for different types of industrial and commercial development and positive policies to provide for the needs of small businesses.
- 3.10 However, it is felt that PPG4 needs to be updated as it does not address a number of new issues such as managed workspace or incubator units which require a new approach and more flexibility.
- 3.11 The emerging PPS4 which will eventually replace it stresses that planning policy must support economic growth and that a flexible approach to the supply and use of land is necessary to achieve this.

## **Regional policy**

### *The South East Plan*

- 3.12 The South East Plan (SEP) is the key strategic document for all local authorities in the South East over the next 20 years. It supports a development approach focused in and around the existing urban areas in order to foster accessibility to employment, housing and other services whilst minimising the need for people to travel.

- 3.13 We highlight below the key aspects relevant to our study.

#### *Concentrated development*

- 3.14 A number of policies set targets to achieve the region's ambitions for sustainable development. Policy CC8a states that "at least 60% of all new development should occur on previously developed land and through conversion of existing building". It should be complemented by identifying the scope for redevelopment and intensification of urban areas, especially around transport hubs and interchanges.

#### *Geographical approach*

- 3.15 The SEP divides the South East into a number of sub-regions and the North Hampshire authorities fall under the "Western Corridor and Blackwater Valley" (WCBV) where employment is forecast to increase by 115,000 jobs between 2006-2016.
- 3.16 The imperatives for WCBV, in line with the regional approach, are to meet any need for employment land through more a efficient use of space in established employment areas. Should these not cover the land requirements for the Plan period, local authorities could select locations and forms of development which meet a number of criteria such as high standards of accessibility (by providing alternatives to cars) and a low impact on the environment.
- 3.17 Finally, the SEP sets out the housing requirements for the area and the need to have land available to respond to local needs (Policy WCBV4). This is a key reminder of why getting the employment land requirement as right as possible is crucial. Although the districts need to have enough land to support their economic growth and never constrain it, land allocated for employment use which is not needed is in fact denied for

other uses, especially housing, which are just as critical to the prosperity of the area. The SEP also underlines that infrastructure investment will be needed and development should not be allowed to run ahead of provision.

- 3.18 At a more localised level, North Hampshire is the only part of this sub-region with a quantified estimate of its future employment land needs (40-60 hectares) and the SEP reckons that, “subject to local considerations”, most of this shortfall should be met in Basingstoke which is identified as a regional hub. Policy CC8b on regional hubs encourages higher density land uses and / or mixed land uses that require a high level of accessibility so as to create ‘living centres’.
- 3.19 The SEP also recognises that the large amount of land owned by the MoD in North Hampshire might present specific issues for release and redevelopment.

#### *Sectoral approach*

- 3.20 The SEP links its planning policies to the Regional Economic Strategy’s analysis which identifies a number of Regionally Important Sectors and Clusters, with a critical role in delivering higher productivity. In Policies RE1 and RE2 the SEP stresses the need to nurture and support them by meeting their specific land requirements.

#### *South East Regional Economic Strategy (RES)*

- 3.21 The RES sets the economic growth targets for the region over 2006-2016:
- Annual growth rate in GVA per capita of 3%;
  - Productivity per worker increase of 2.4% per year;
  - Reduced rate of increase in ecological footprint.
- 3.22 To achieve these targets in a sustainable way , the RES relies on one underlying principle: SMART growth which is based on increased economic activity, high skills, improved enterprise levels and a more efficient use of land through higher densities. We will investigate the area’s ability to deliver this type of growth and it is in this light that we will assess the need for employment land in North Hampshire.
- 3.23 The RES describes 4 potential scenarios for the future of the region:
- **World class region**, the preferred scenario. It basically results from the successful implementation of SMART growth which delivers long-term prosperity and high quality of life for the region;
  - **Tipping point**. In this scenario, the effective drive of the business community to become more competitive is not matched by investment in transport, homes and other infrastructure leading to disinvestment and the relocation of mobile firms, weakening the region’s competitive position;
  - **Slow death**. In this scenario, excellent infrastructure and strong growth are undermined by inadequate business investment which over time damages the competitiveness of the region;
  - **Spiral of decline**. This results in failure to invest on all fronts: businesses as well as general infrastructure with grave consequences not only on the economic performance of the region but also on its social cohesion, confidence and future capacity for change.
- 3.24 These scenarios stress the crucial role of infrastructure and transport provision for the long-term success of any economy.

#### *Geography*

- 3.25 The RES has a slightly different geographical approach to the SEP. It locates most of North Hampshire in what it defines as the Inner South East, a competitive sub-region characterised by good connectivity, highly skilled residents, high economic growth; a

sub-region where “a strong relationship with a World City sits alongside centre of economic vitality as strong as any in Europe”.

- 3.26 It identifies a number of priorities for the Inner South East:
- Work with London, the Oxford to Cambridge Arc and along the Gatwick-Guildford-Thames Valley - Oxford axis to be at the forefront of the UK’s global competitiveness;
  - Make the most of the Heathrow effect;
  - Invest in the skills needed by global knowledge businesses;
  - Invest in the public transport infrastructure needed to support access to airports and linking to the rest of the region;
  - Invest in high growth globally competitive sectors.
- 3.27 Like the South East Plan, the RES recognises the potential of Basingstoke and the role it can play in the future delivery of sustainable development by identifying it as a Diamond for Investment and Growth. This designation is matched with additional funding opportunities (Growth Point funding ) to invest in infrastructure which will ‘unlock additional sustainable development potential’.
- Sectoral approach: Regionally important sectors and clusters*
- 3.28 The key strategic sectors mentioned in the South East Plan are defined in the RES as:
- Advanced engineering
  - Aerospace & defence
  - Environmental technologies
  - Financial and business services (FBS)
  - Healthcare technologies
  - Logistics
  - Marine technologies
  - Media Technology and Telecommunications
  - Property & construction
  - Tourism
- 3.29 Of particular importance to local authorities in the Western Corridor Blackwater Valley are the high value functions relating to healthcare technologies, aerospace & defence, business tourism and FBS.

## County policy

### *Hampshire Structure Plan*

- 3.30 According to the Hampshire County Council website “as a consequence of changes to the planning system, the Hampshire County Structure Plan ceased to have any effect from 27 September 2007 with the exception of 24 policies. Those 24 policies remain in force due to a Direction issued by the Secretary of State for Communities and Local Government. They are known as ‘saved policies’”.
- 3.31 All the Structure Plan’s other policies have been incorporated into Local Plans, or for some other reason are deemed to be no longer relevant. None of the ‘saved policies’ are directly relevant to our study.

- 3.32 Before it became redundant, the Structure Plan did not provide any figures for future employment growth or land requirements, either for the county or its component districts.

### Local policy: from Local Plans to LDFs

- 3.33 The three district councils are at various stages in the production of their Local Development Frameworks (LDF).
- 3.34 However, their Local Plans and emerging LDFs generally follow the same approach when it comes to employment land allocation: minimising the release of new land and favouring the use of existing sites in designated employment areas through re-development and intensification and, if needed, extension to urban areas. This is combined with a restrictive approach to the loss of employment use.
- 3.35 The districts are also keen to preserve their rural character by controlling developments in rural settlements and open countryside as well as the re-use of rural buildings.
- 3.36 In addition to this generally consensual approach, the planning documents highlight issues specific to each district which we review next.

#### *Hart*

- 3.37 At this point in time, the Adopted Hart Local Plan along with its First Alterations adopted on 22<sup>nd</sup> June 2006 remains the basis for policy decision making although the council is developing its LDF.
- 3.38 Hart's planning documents have identified a significant list of sites for development, the largest of which is Pyestock. These sites have recently been assessed in the district's 2006 Employment Needs Assessment which we will use to inform our findings.
- 3.39 Hart does not have an economic strategy.

#### *Rushmoor*

- 3.40 The key feature of Rushmoor is the fact that a large part of the borough is owned by the MoD, especially in Aldershot. More specifically, 55% of land in Rushmoor is built up and undeveloped land is mostly in the hands of MoD highlighting the importance of the renewal and recycling of both land and buildings.
- 3.41 This ownership pattern "has had an important influence on the pattern of development, essentially by reducing opportunities for private development" and there is a desire to encourage redevelopment and regeneration on this land, where possible.
- 3.42 The Local Plan identifies 3 MoD sites with potential for more employment:
- Site of the former Royal Pavilion, Aldershot. Redevelopment is acceptable but no bigger than the existing building footprint and no higher than adjoining landscaping;
  - Guillemont Barracks, Farnborough. Most of the site is in Hart but 2 ha are in Rushmoor. This is allocated for business park development. In fact, outline planning permission has been granted for development on the Rushmoor side of the site. However, the development intensity on this site is limited. The Local Plan states that "site density should be not more than 3,000 sqm per ha" and "the height of buildings and structures should not exceed the height of surrounding trees".
  - Farnborough Aerodrome. The Local Plan aims to: encourage employment development which builds upon the locational advantages of the site; encourage the development of a new technology centre / science park; retain capacity for business aviation and the Farnborough Airshow.
- 3.43 Rushmoor's Economic Development Strategy also identifies development opportunities in and around the two town centres. They are: Westage in Aldershot,

Aldershot Urban Extension, Farnborough Town Centre redevelopment and Slough Estates Farnborough Business Park. It underlines the role of Farnborough's airport in the appeal of Rushmoor as a business location for certain activities.

### *Basingstoke & Deane*

- 3.44 The key policies in Basingstoke & Deane's Local Plan follow the broad approach described in the introduction. The district is building the evidence base for its LDF and, as part of this process, is currently carrying out an Employment Land Study and preparing an economic strategy.
- 3.45 The most important element of Basingstoke's future is its Diamond status and ensuing eligibility for Growth Point funding.
- 3.46 In response to this, the district has put together a New Growth Point Programme of Development which identifies actions needed to deliver Basingstoke's ambitions. Central to this is the regeneration of Basing View and the need for a balanced approach to housing and employment provision. Economic opportunities are needed to avoid turning Basingstoke into a dormitory settlement and they are also a way to boost housing demand which has been flailing somewhat, or at least under achieving. As part of the actions it feels are necessary to fulfil its new role, Basingstoke & Deane Borough also included investment in the town centre's public realm to improve its appeal and the creation of a Learning Campus delivering higher education to fill the current gap in skills provision.
- 3.47 It has also taken a pro-active stance to address the perception of Basingstoke town by commissioning research on its image and how to improve it.

### **Conclusions**

- 3.48 As seen in this chapter, the policy context is currently in flux at all geographical levels offering, as any period of transition does, both opportunities and threats.
- 3.49 The key determinant of the changes ahead will relate to the region's ability to deliver smart growth. This will be particularly crucial in shaping North Hampshire's employment land requirements for the next 20 years and we explore this in more depth in the next chapter.
- 3.50 The other key change for North Hampshire will involve Basingstoke and whether it can play its expected role as a regional hub.
- 3.51 The main message to remember from this chapter from a policy design point of view is the need to take a flexible approach and choose policies which will enable an efficient response to change and avoid constraining economic growth.
- 3.52 We also note that, apart from the SEP, none of the policy documents reviewed here, regional or local, provide any quantification of employment land requirements at district level for the next 20 years.

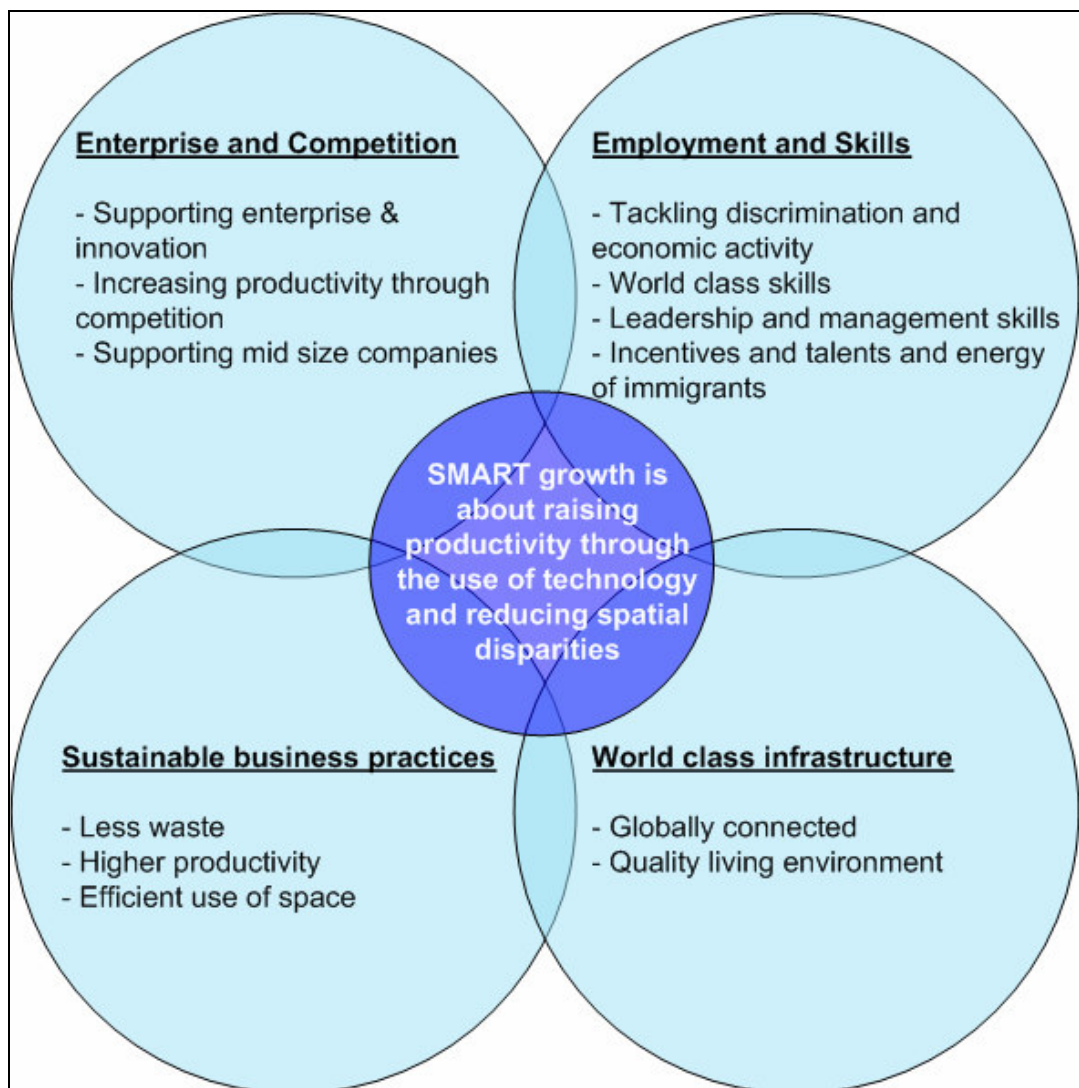
## 4 CAN NORTH HAMPSHIRE DELIVER SMART GROWTH?

### Introduction

- 4.1 As mentioned in the last chapter, the critical factor in the ability of North Hampshire to contribute to the region's GVA / productivity targets whilst delivering sustainable development, will be whether it can achieve 'smart' growth. Smart growth underpins the RES and to some extent the forecasts produced by DTZ so we feel it is useful to explore what it means for North Hampshire as part of this study.

#### *What is smart growth?*

- 4.2 The smart growth concept, originated in the US, to designate the interplay between productivity drivers (enterprise, employment and skills, innovation, competition, investment) and quality of life.
- 4.3 In the South East, it is seen as the way to achieve a higher level of prosperity per head without increasing the region's ecological footprint.
- 4.4 The broad components of SMART growth are summarised below.



Source: SMART growth discussion paper, SEEDA

### *Our approach*

- 4.5 The purpose of this chapter is to form a view on whether the districts of North Hampshire are in a position to achieve such growth.
- 4.6 We will analyse the structure and performance of the economy to understand its prospects, using the core components of SMART growth listed above. To reflect the strategic context in which the North Hampshire districts operate we will pay particular attention to the targets and strategically significant sectors and clusters identified in the RES and use indicators selected in the RSS.
- 4.7 None of the districts evolve in isolation of course so we will benchmark them against the region and Hampshire as a whole but also the Western Corridor and Blackwater Valley and Reading (another and nearby growth point).
- 4.8 This chapter along with the property market profile and sites assessments will provide the necessary qualitative, as well as quantitative, knowledge of the area necessary for us to reality-check DTZ forecasts and provide the client with informed conclusions.

### Geography and scale

- 4.9 North Hampshire covers the districts of Basingstoke & Deane, Hart and Rushmoor. In order to avoid confusion, in the rest of this report we refer to the district as Basingstoke & Deane and to the town as Basingstoke.
- 4.10 A notion of the respective scale of each district as well as of North Hampshire is provided in Table 4.1 whilst the following map summarises the key geographical features that structure the area.

**Table 4.1 : North Hampshire districts' key statistics, 2006**

	Population estimates	No. jobs	No. VAT registered businesses
South East	8,237,800	3,642,000	306,920
Western Corridor Blackwater Valley (WCBV) <sup>3</sup>	1,256,400	828,200	67,340
Hampshire	1,265,900	539,700	46,630
North Hampshire	336,200	158,000	12,345
Basingstoke & Deane	158,700	78,100	5,810
Hart	88,800	36,500	4,050
Rushmoor	88,700	43,400	2,575
Reading	142,800	93,200	4,630

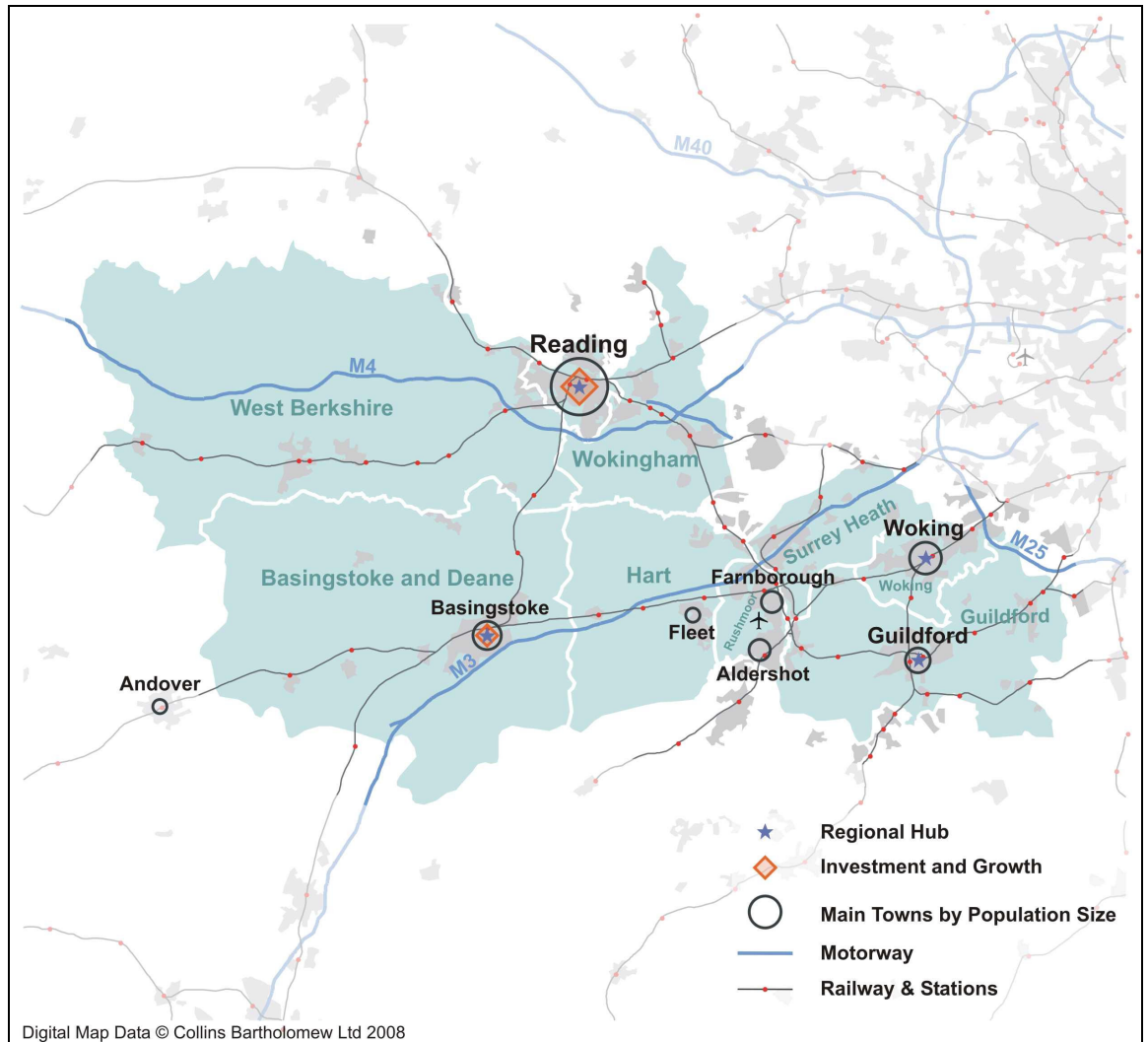
Source: Population Estimates, Annual Business Inquiry, VAT registrations

- 4.11 From this initial table we can see that:
- although Hampshire and the WCBV have populations of similar size, the latter clearly includes larger employment centres as it has more jobs and more businesses.
  - Basingstoke & Deane accounts for about half of the population and jobs in North Hampshire.

<sup>3</sup> This is approximated by including all the districts covered in part or total by the RES definition of WCBV i.e West Berkshire, Reading, Wokingham, Bracknell Forest, Windsor and Maidenhead, Slough, South Buckinghamshire, Wycombe, Surrey Heath, Guildford, Hart, Rushmoor, Basingstoke & Deane.

- Rushmoor and Hart are similar in population size but Rushmoor has comparatively more jobs whilst Hart stands out as an entrepreneurial district. It suggests that Rushmoor relies more on larger businesses.
- Reading is clearly a larger employment centre than Basingstoke relative to the size of their population. It also seems to attract larger businesses.

**Figure 4.1: North Hampshire's key features and settlements**



## Enterprise and competition

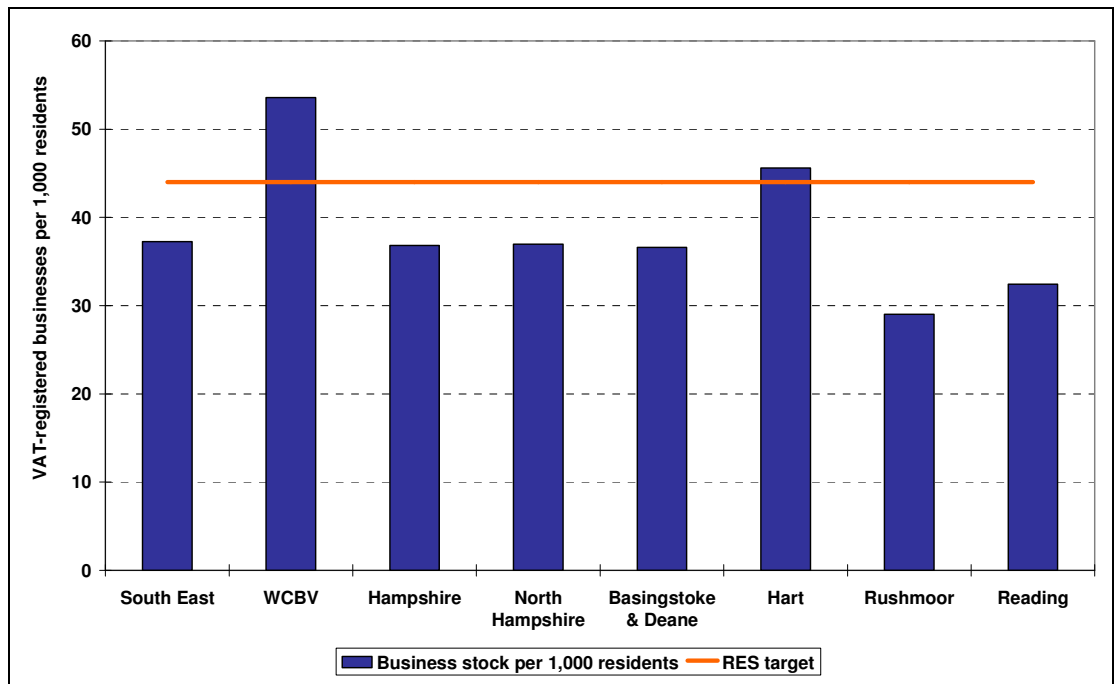
- 4.12 Smart growth is about supporting enterprise whether it be small start-ups or mid-size companies because enterprise increases competition which in turns boost productivity.

### RES target for the South East:

Increase business stock by 35% from 35 businesses per 1,000 inhabitants in 2005 to 44 per 1,000 inhabitants by 2016 including 10,000 new businesses run by women by 2010.

- 4.13 Overall, North Hampshire had 37 VAT-registered businesses per 1,000 inhabitants in 2006, same as the South East as a whole, but the performance varied considerably across the districts as illustrated below.

Figure 4.2 : Enterprise activity by 1,000 residents, 2006



Source: VAT registrations, Population Estimates

- 4.14 At the moment Hart already exceeds the target whilst Rushmoor, in particular, lags behind. This may be due in part to the weight of MoD employment in the district. It is worth mentioning that in all districts, and in fact in all benchmark areas used here, the stock of business per 1,000 residents has been increasing steadily over the past five years. It has risen fastest of all in Rushmoor which suggests it might be on its way to catching up.
- 4.15 This is a positive trend in view of the targets set by the RES. However, should the average growth rate set in the past five years continue at the same level neither Basingstoke & Deane nor Rushmoor will reach the target set in the RES. Both districts therefore need to support start-ups.
- 4.16 This indicator can offer a skewed view of local circumstances by referring to total population: the demographic composition of the population (especially by age) can have a significant impact on its propensity to generate businesses which is not taken into account by this target. For instance, an area with a larger proportion of older or younger people is likely to have a smaller business stock. We therefore looked at enterprise levels against working age population to check our findings and we were able to confirm the findings described above.
- 4.17 Smart growth is also concerned about the mix of businesses as each type impacts differently on the economy. Small firms tend to be home grown and possibly less mobile whilst large firms might be part of a conglomerate which takes decisions outside of the local authority.
- 4.18 To get a view on this, we look at the size of business units in North Hampshire. Business units are not equivalent to businesses as one company can have several units. However they are actually a more relevant variable for an employment land study as they will be occupying the floorspace available in the districts.

**Table 4.2: Breakdown of business units and jobs by size**

	1-10 emp.	11-49 emp.	50-199 emp.	200+ emp.
<b>Basingstoke &amp; Deane</b>				
Business units	85%	11%	3%	1%
Employees	19%	23%	24%	34%
<b>Hart</b>				
Business units	90%	8%	2%	0%
Employees	26%	21%	23%	30%
<b>Rushmoor</b>				
Business units	82%	13%	4%	1%
Employees	18%	23%	26%	33%

Source: ABI 2006

- 4.19 The key feature of this table is Hart's reliance on small firms, especially start-ups. Rushmoor on the other hand has the larger business base. This will obviously have implications on the type of space required in each district as small firms cannot afford and do not look for the same premises as larger businesses.

## Employment and skills

- 4.20 This covers several interwoven topics: the employment structure of the economy, residents' and workers' skills and levels of economic activity rate. They must be looked at together to understand to what extent an economy relies on resources other than its own and whether it might face blockages in the future.

### RES targets

- Increase economic activity from 82% to 85% by 2026.
- 100% of workforce skilled to Level 2
- focus efforts on Regional Significant Sectors and Clusters

There are also more qualitative targets basically linked to training provision. It is worth adding to this list the target set by the Leitch Review<sup>4</sup> for the UK to remain competitive on a global level: more than 40% of adults with Level 4 (degree) qualification.

### Maximising economic activity

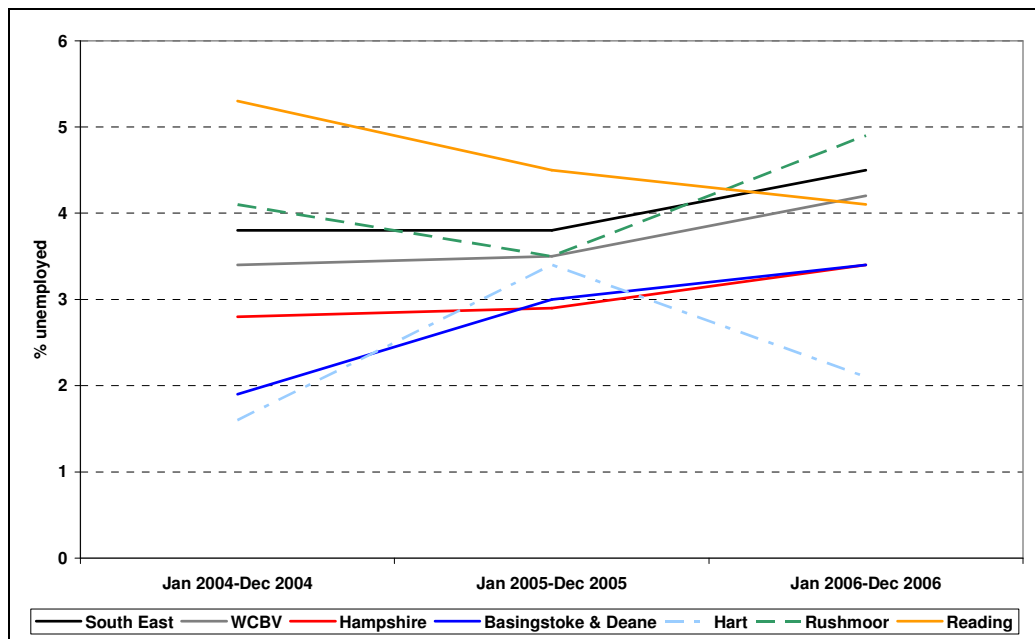
- 4.21 The three North Hampshire districts are already over the 2026 target set in the RES with activity rates of 88.5%, 88.7% and 86.9% for Basingstoke & Deane, Hart and Rushmoor respectively. This is higher than neighbouring districts such as Reading and West Berkshire which have economic activity rates of 82.3% and 84.7%.
- 4.22 Placed in a national context, the high levels of economic activity reached by North Hampshire are further emphasized. Out of the 407 English districts, Hart has the 9<sup>th</sup> highest economic activity rate and Basingstoke & Deane and Rushmoor rank 11<sup>th</sup> and 17<sup>th</sup>. The highest level reached in England (bar the City of London) is 92.6%<sup>5</sup>.

<sup>4</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills*, December 2006

<sup>5</sup> Annual Population Survey, April 2006-March 2007

- 4.23 Of those that are not economically active in North Hampshire, over half are retired or students, the rest being ill or carers. All these findings suggest that although there might be some room for an increase in economic activity rates in the area, it is limited.
- 4.24 However, economic activity rates are not enough to take the measure of how successfully the labour market operates as it includes unemployed people: a location with a high economic activity rate can also have a high unemployment rate.
- 4.25 Figure 4.3 allows us to investigate this aspect of economic activity by charting unemployment rate in the North Hampshire districts over the last 3 years.

**Figure 4.3: Unemployment rate in North Hampshire**



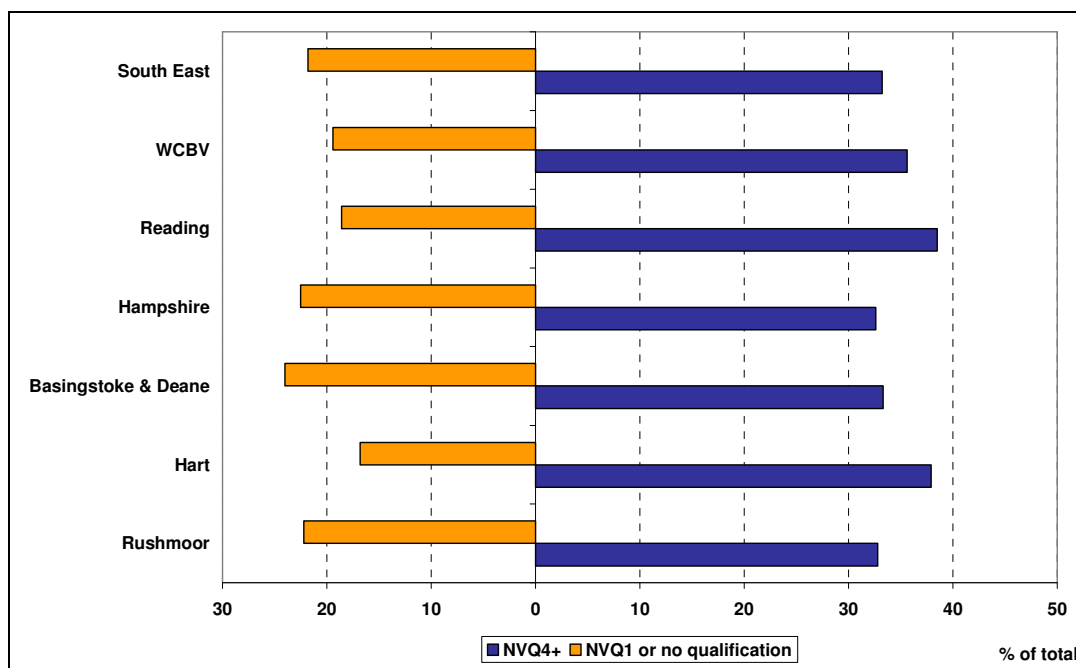
Source: Annual Population Estimates

- 4.26 The main information contained in this chart that is pertinent to our study is that unemployment levels in the districts are low. In North Hampshire as a whole the unemployment rate has remained below 4% over the past three years, although there has been a slight upward trend.
- 4.27 The combination of a high economy activity rate and low unemployment can be both a blessing and a curse for future growth: it shows an efficient economy using its human resources to the full but it may generate potential tensions on the labour market for the future if supply is being stretched.
- 4.28 Although labour markets do not stop at district boundaries, the fact that Hampshire and the South East also have low unemployment rates implies a constrained regional market. The sub-region is going to have to continue attracting new residents if it wants to sustain employment growth and meet the target set in the South East Plan for the Western Corridor Blackwater Valley sub-region. Growth in productivity (as per smart growth) will not be enough to support growth in GVA; an increase in employment is also expected across the districts. This in turns has implications on housing, infrastructure and quality of life.

### *World class skills*

- 4.29 As stated in the Leitch review, “Skills were once a key lever for prosperity and fairness. Skills are now increasingly *the* key lever.” North Hampshire needs to be able to position itself in the knowledge-based economy and supply it with the highly skilled workers it requires in order to attract and retain the type of high value businesses it is after.

Figure 4.4: Qualification levels of working age population



Source: Annual Population Estimates, 2006

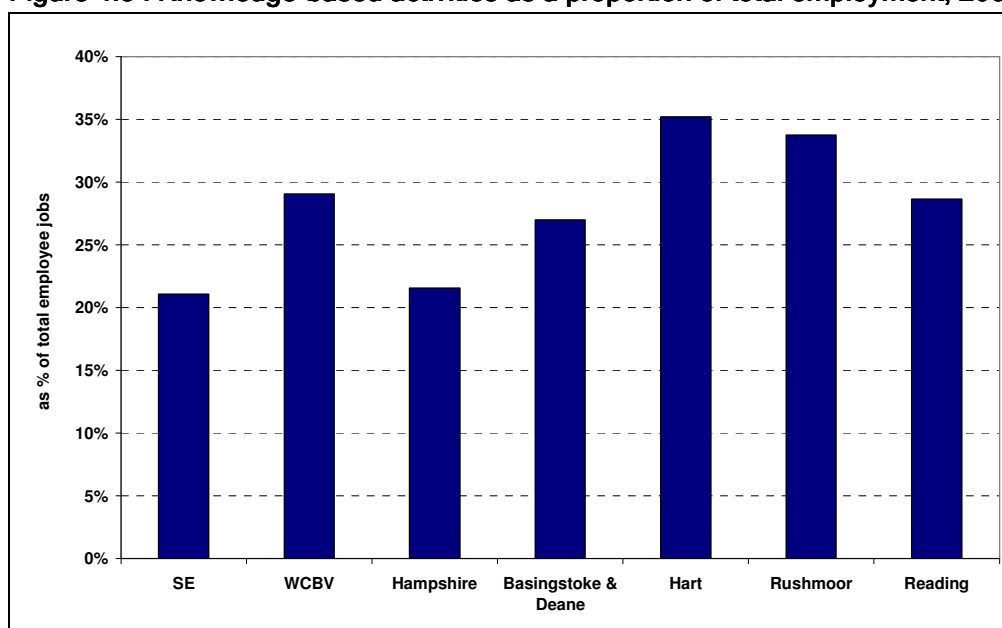
- 4.30 At the moment, Hart stands out as the North Hampshire district with the most highly qualified residents, in line with Reading. With approximately 38% of residents with a degree level qualification both are close to the 40% target set in the Leitch Review. Hart also has the lowest proportion of residents with Level 1 or no qualifications.
- 4.31 Basingstoke & Deane and Rushmoor are in line with the region and the county in terms of highly qualified residents but they are lagging behind the WCBV. More worryingly, Basingstoke & Deane has a largest proportion of lowly qualified residents, 24% of its working age population with Level 1 or no qualifications. The chart also shows that North Hampshire, as the rest of the region, is still some way from achieving the other RES target: have 100% of workforce qualified to Level 2.
- 4.32 According to the South East LSC latest report on Hampshire<sup>6</sup>, over half of those companies trying to recruit reported that they were having difficulties doing so. Hard to fill vacancies were the highest amongst: personal services staff, skilled trade occupations, associate professional and elementary staff. It shows that although high skills are crucial to competitiveness, other service and support jobs need to be filled as well for the economy to work. In areas where the cost of living is high this can be hard to do.
- 4.33 The report also reminds us that qualifications and skills are distinct and finds that skills shortages are most acute amongst skilled trades staff, associate professionals and professionals.
- 4.34 North Hampshire has recognised the need to deliver higher qualifications and skills which meet employers' needs: Basingstoke has included the creation of a Learning Campus in its Growth Point Programme of Development. The Learning Campus will offer further and higher education as well as professional training. The bid for funding is in progress. If successful, it could benefit the whole sub-region not only by providing additional learning opportunities but by lifting local aspirations, retaining more young people in the area and making the place more attractive to businesses.

<sup>6</sup> LSC, *Learning and labour market area profile: Hampshire and Isle of Wight*, 2006/07

### *A knowledge economy*

- 4.35 Every economic strategy, national, regional or local, supports the creation of a knowledge-based economy based on, amongst other things, high value, high skills, high innovation activities.
- 4.36 There is no official definition of knowledge-based activities so for the purpose of this study we have combined the OECD and former DTI definition as it covers manufacturing as well as service sectors<sup>7</sup>. It includes, amongst others, the manufacture of pharmaceuticals, electronic instruments, cars and aircraft as well as research and development, finance, computing or professional services.

**Figure 4.5 : Knowledge-based activities as a proportion of total employment, 2006**



Source: ABI, 2006

- 4.37 The three districts are quite clearly ahead of the region as a whole and also performing better than Hampshire as a whole. However, there is a clear split between Hart and Rushmoor on one side, where around 35% of employment is knowledge-based, and Basingstoke & Deane where it represents 27% of total employment. Overall however, it is a positive position, even compared to Reading.
- 4.38 As mentioned above, this definition of knowledge-based activities includes a long list of sectors so it is worth digging further to get a clearer profile of the districts' respective economies.
- 4.39 For each district we calculate the location quotient of each sector. The location quotient compares a sector's proportion of total employment in the district with its proportion of total employment in the region. If it is higher than one indicates some degree of specialisation and the higher it is, the stronger the specialisation of the district in this industry. Table 4.3 lists those sectors with location quotients greater than one and accounting for more than 1% of total employment (to filter out very small sectors) ranked from the highest down.

<sup>7</sup> A list of the sectors included in our definition of "knowledge-based activities" is provided in Appendix 1

**Table 4.3: Sectoral specialisation by district**

<b>Basingstoke &amp; Deane</b>	<b>Hart</b>	<b>Rushmoor</b>
Manuf. pulp, paper	Computing	Collection, purification and distribution of water
Electricity, gas, water supply	Post & telecommunications	Insurance and pension funding
Manuf. chemicals	Manuf. medical, precision, optical instruments	Post & telecommunications
Manuf. electrical machinery	Other service activities	Financial intermediation
Activities of membership organisations	Other business activities	Public administration
Manuf. machinery and equipment	Real estate activities	Publishing & printing
Wholesale	Hotels & restaurants	Other business activities
Manuf. medical, precision, optical instruments		Computing
Computing		Retail
Publishing & printing		Financial intermediation
Financial intermediation		

4.40 The list illustrates how different the three districts are with Basingstoke & Deane presenting a more manufacturing-biased profile whilst the other two districts seem to rely more on financial and business services. The basis of their knowledge economy is clearly different. It will inform our understanding of how prepared the districts are to deliver their forecast growth and will affect their employment land needs.

4.41 To complement our analysis of North Hampshire's key economic features, we then look at the Regionally Significant Sectors identified in the RES. No definition is provided in the RES so we used our own approximations. The list encompasses sectors of very different sizes and growth prospects<sup>8</sup>.

**Table 4.4 : Regionally significant sectors: % of total employment**

	<b>South East</b>	<b>WCBV</b>	<b>Reading</b>	<b>Hampshire</b>	<b>Basingstoke &amp; Deane</b>	<b>Hart</b>	<b>Rushmoor</b>
Advanced engineering	1	1	1	2	2	1	1
Aerospace & defence	0	0	0	1	0	0	1
Environmental tech.	1	1	2	2	1	1	2
FBS	24	31	29	24	27	40	29
Healthcare tech.	1	2	0	2	3	0	0
Logistics	7	8	6	7	11	5	6
Marine tech.	0	0	0	0	0	0	0
Media tech. & telecommunications	2	4	5	3	3	6	5
Property & construction	4	4	5	5	5	3	3
Tourism	8	7	7	8	5	9	7

Source: ABI

<sup>8</sup> A definition of each sector used for this analysis is provided in Appendix 1

- 4.42 Each district has their own strengths in these sectors, in line with the specialisation profile identified above. Basingstoke & Deane is stronger in Advanced Engineering and Logistics; Hart stands out in Financial & Business Services which is also the largest sector of all; Rushmoor does best in Media Technologies & Telecommunications and Aerospace and Defence although they are both small sectors. Overall, all districts compare well with the region.

## World class infrastructure

- 4.43 As goods and people become increasingly mobile, cities and towns find themselves increasingly in competition with each other as places to live and work. The provision of an efficient transport network, quality infrastructure and an appealing environment are more critical than ever to attract, retain and service the businesses and jobs which support an area's competitiveness.
- 4.44 Housing, schools and health facilities are all critical to the appeal and sustainability of districts as places to live but more directly relevant to their economic competitiveness is transport infrastructure which is what we focus on in this section.

### *An efficient transport system*

#### *Travel to work patterns*

- 4.45 Commuting flows exemplify the linkages between the districts of North Hampshire and their surrounding, and greatly influence demand for transport infrastructure.
- 4.46 As mentioned earlier, labour market geography is different from administrative boundaries so here we look at where residents of North Hampshire go to work and where people who work in North Hampshire come from. This will illustrate the respective appeal of the districts as places to live and work.
- 4.47 Overall, Basingstoke & Deane is by far the most self-contained district with 67% of its residents also working there compared to 41% in Hart and 53% in Rushmoor. It still records a net loss of 2,885 workers to out-commuting. Table 4.5 below lists the largest in and out-commuting flows to and from Basingstoke.

**Table 4.5: 10 largest commuting flows in Basingstoke & Deane**

In-commuting from	Count	Out-commuting to	Count
Hart	2,482	West Berkshire	7,334
Test Valley	2,206	Hart	2,449
West Berkshire	2,000	Reading	2,411
Winchester	1,786	Test Valley	1,152
East Hampshire	1,437	Wokingham	1,144
Wokingham	949	Winchester	1,058
Rushmoor	869	Rushmoor	1,007
Reading	821	Westminster	763
Eastleigh	733	Bracknell Forest	739
Southampton	688	Surrey Heath	680

Source: Census 2001

- 4.48 The main net outflows of commuters are to West Berkshire, London and Reading. According to the Census, those going to West Berkshire are more likely to work in the public sector, real estate and business services whilst more of those going to Reading work in financial intermediation. The main net inflows of workers come from the Test

Valley and East Hampshire. Basingstoke & Deane attracts people to work in its manufacturing sector.

- 4.49 In Hart, only 41% of Hart residents also work there and the district experiences a net outflow of 9,000 workers mostly to Rushmoor, Surrey Heath, Bracknell Forest and Hillingdon as illustrated in Table 4.6 below. There are also strong links with Basingstoke & Deane as reflected in the level of both in-commuting and out-commuting flows. The district loses out in every broad sector and seems stronger as a place to live than as a place to work.

**Table 4.6: 10 largest commuting flows in Hart**

In-commuting from	Count	Out-commuting to	Count
Rushmoor	3,001	Rushmoor	5,058
Basingstoke & Deane	2,449	Surrey Heath	3,864
Surrey Heath	1,348	Basingstoke & Deane	2,482
Bracknell Forest	1,037	Bracknell Forest	2,162
East Hampshire	909	Wokingham	1,129
Waverley	902	Hillingdon	1,111
Wokingham	852	Waverley	983
Guildford	663	Guildford	954
West Brekshire	423	Reading	684
Winchester	360	Westminster	629

Source: Census 2001

- 4.50 Rushmoor is the only district with a net inflow of commuters, attracting an additional 2,900 workers mostly from Hart and in financial & business services and education. It does experience a significant net outflow with Surrey Heath however, in particular in the health and manufacturing sectors.

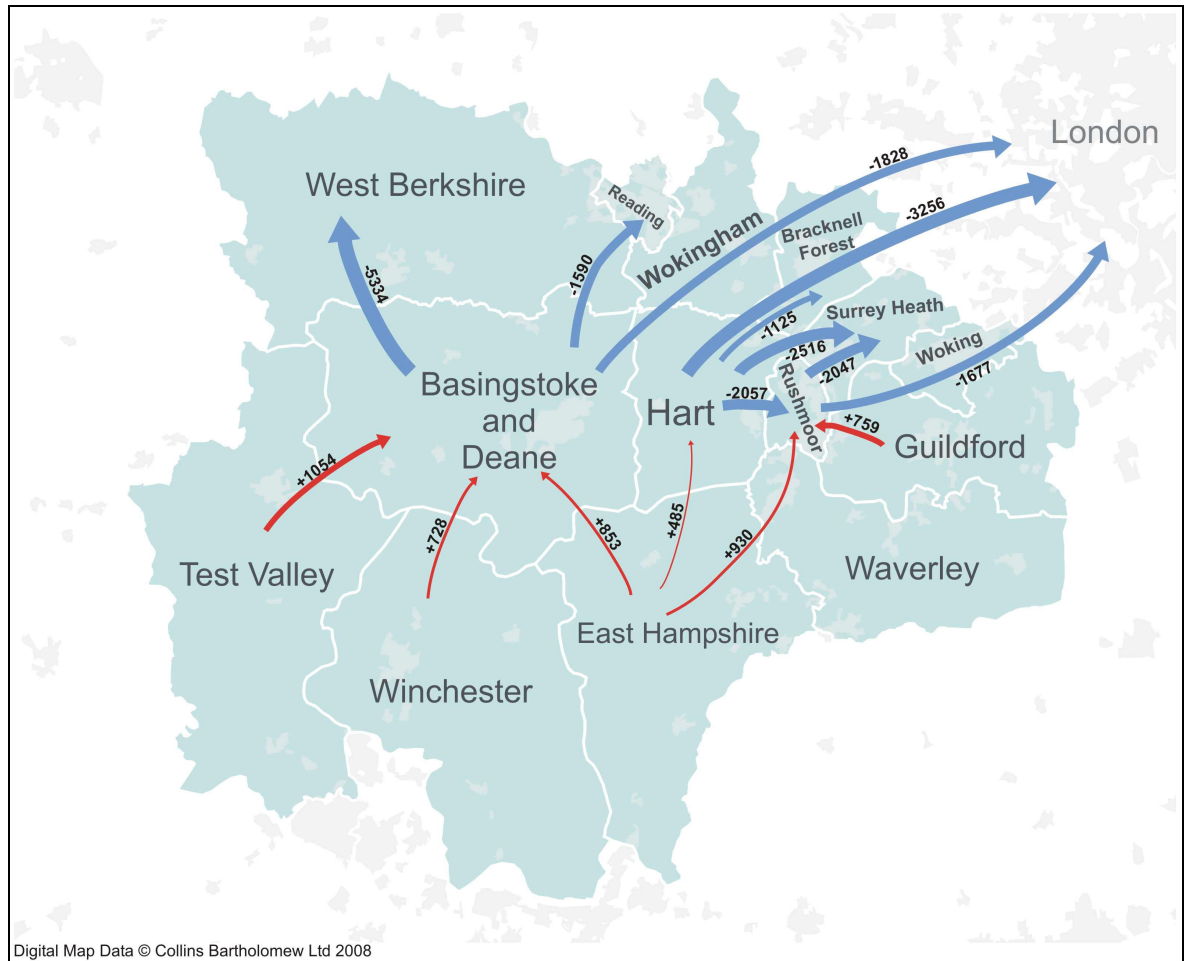
**Table 4.7: 10 largest commuting flows in Rushmoor**

In-commuting from	Count	Out-commuting to	Count
Hart	5,058	Surrey Heath	4,974
Guildford	3,338	Hart	3,001
Surrey Heath	2,927	Guildford	2,579
Waverley	2,760	Waverley	2,253
East Hampshire	1,439	Bracknell Forest	1,169
Basingstoke & Deane	1,007	Basingstoke & Deane	869
Bracknell Forest	1,001	Hillingdon	782
Woking	602	Woking	761
Wokingham	560	East Hampshire	509
Winchester	276	Westminster	499

Source: Census 2001

- 4.51 The map below sums up these tables of gross commuting flows by showing the largest net commuting flows (negative and positive) for each North Hampshire district, based on the 2001 Census.

Figure 4.6: Main net commuting flows from North Hampshire districts



4.52 Three observations can be made from this map:

- There is a clear division between the districts with Basingstoke & Deane linking with its neighbours outside North Hampshire more than with Rushmoor and Hart;
- All three districts attract workers from the south (i.e rest of Hampshire) and lose work to their northern and western neighbours reflecting the presence of regional hubs and dynamic employment centres in these districts;
- All three districts are still strongly linked to London where a considerable number of their residents commute every day to work.

*Challenges ahead*

4.53 Travel to work patterns are only one side of the transport story. The local and strategic transport network must also cope with personal trips, freight and business travel.

4.54 The Eddington Transport Study<sup>9</sup> evidences the critical part played by transport in a successful economy. It also highlighted the significant risks for the future linked to a congested, polluting transport network. Whether North Hampshire can deliver smart growth will depend on whether it can decouple economic and population growth from traffic expansion.

<sup>9</sup> HM Treasury, *The Eddington Transport Study : the case for action*, December 2006

- 4.55 Hampshire Local Transport Plan<sup>10</sup> provides a useful summary of the problems and opportunities facing the area. The key problems include:
- “High car ownership and usage. This is exacerbated by long-distance commuting particularly in Hart;
  - The area is polycentric with complex travel patterns that can be difficult to provide for by public transport;
  - The area suffers from congestion on some road and rail links and pinch points at road junctions. Growth in car use and local population will present additional pressures on these links and pinch points”. According to the LTP, 30% of journeys at peak time are spent in queues and rail journeys are overloaded in the peak periods which is only bound to get worse as rail patronage is growing at 5% per year;
  - Rurality and impact of high vehicle flows, especially HGVs;
  - Barriers to walking and cycling;
  - High levels of development and population growth planned for next 20 years;
  - Lack of integration between modes.
- 4.56 There are also a number of opportunities North Hampshire can rely on and build on:
- Vibrant local economy and attractive environment;
  - Good strategic transport connections by road, rail and air;
  - Productive partnership working which makes change possible;
  - New technologies which might offer opportunities to reduce travel;
  - A high proportion of short journeys in some urban centres are made by car which suggests scope for alternative modes. Basingstoke & Deane for instance has been successful in boosting bus patronage by combining a marketing campaign with an improvement to the services;
  - Farnborough Airport. Farnborough Airport was voted the number one business aviation airport in Europe and its location makes it ideal for business people needing access to the South East as well as London. In fact, it is the only airport in Europe solely dedicated to business travel. It serves 50 locations worldwide and the high quality of the infrastructure and facilities have been recognised internationally;
  - The Regional Transport Strategy<sup>11</sup> identified Basingstoke as a Regional Transport Hub, in line with its role as a regional economic hub.
- 4.57 North Hampshire is aware of the stakes, both economic and environmental, linked to transport and has adopted a three step approach as a response: first, reduce travel as much as possible; second manage traffic volumes and flows and third, only if necessary, invest in transport infrastructure. Reducing travel will have implications for land use policies, which is why it is important to mention it here.

### Sustainable business practices

- 4.58 Smart growth encourages sustainable business practices which generate less waste, higher productivity and more environmentally-friendly processes to reduce the region’s carbon footprint whilst maintaining its competitiveness. Environmental technologies are also identified as a Regional Significant Sector in its own right, as seen previously.

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<sup>10</sup> Hampshire County Council, *Local Transport Plan 2006-2011*, 2006

<sup>11</sup> Government Office for the South East, *Regional Transport Strategy*, July 2004

However, for the sector to be successful it needs customers, which is another reason for encouraging new practices amongst businesses.

- 4.59 We present a short overview of how North Hampshire is promoting these new 'greener' options might be and follow on with an issue more directly relevant to this study - the efficient use of land and space.

*A new approach, less damaging to the environment*

- 4.60 Whilst businesses play an important part in contributing to the economic wealth of a community, they also use considerable amounts of resources and generate waste as part of their operation. To achieve smart and sustainable growth means reviewing the economic production cycle to integrate and reduce its negative impacts on the environment.

- 4.61 In Hampshire, progress has been made to raise awareness and promote action through the Hampshire Natural Resources Initiative<sup>12</sup>. Also available is the Environment Centre<sup>13</sup> (tEC) which provides a one-stop shop for environmental information in Southern England and can offer practical support for businesses.

*Efficient use of space*

- 4.62 Using space efficiently has two dimensions: land and buildings. The first is measured by plot (or development) density and the latter by job density (sqm of floorspace per worker).

*Plot density*

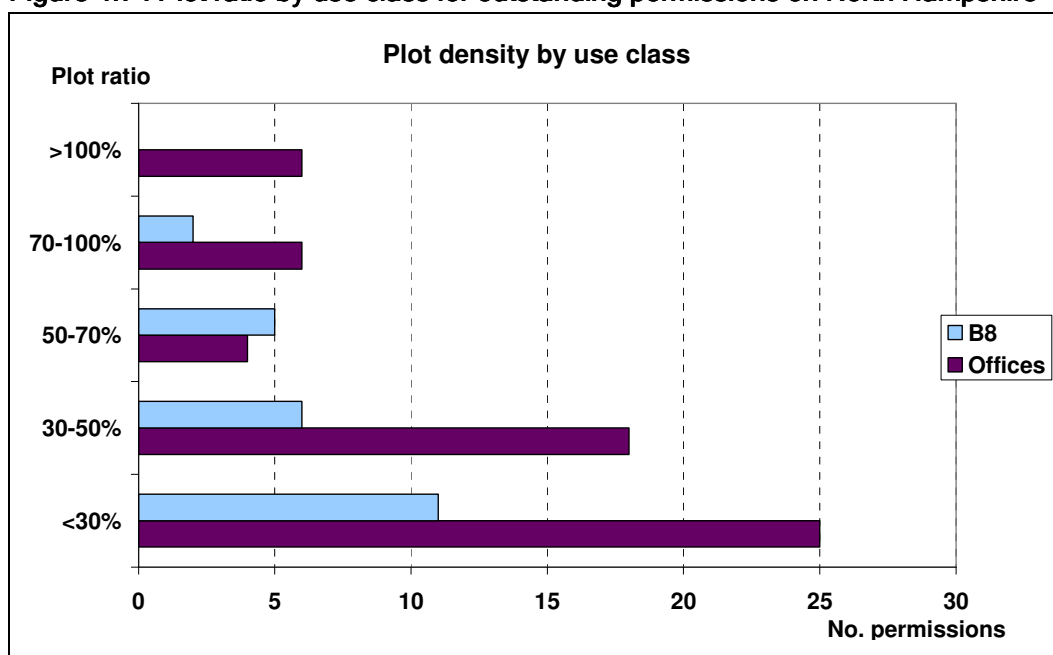
- 4.63 The plot ratio is the ratio of the gross floor area to the size of the plot of land it occupies.
- 4.64 Plot ratios vary widely depending on the site use and location. For this reason, planners are advised to look at sites on an individual basis to define them.
- 4.65 However, we can get an idea of plot density practices in North Hampshire by looking at recent permissions in the supply schedule provided by Hampshire County Council. Figure 4.7 groups outstanding permissions according to their plot ratio.

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<sup>12</sup> <http://www.hnri.co.uk/>

<sup>13</sup> <http://www.environmentcentre.com/>

Figure 4.7 : Plot ratio by use class for outstanding permissions on North Hampshire



Source: Hampshire County Council, 2007

- 4.66 It clearly shows that the vast majority of permissions record plot density below 30% or between 30 and 50%.
- 4.67 In fact, the average plot ratio in North Hampshire is 34% for office developments and 33% for B8 developments. This is very low indeed, indicating a land intensive approach to development explained by the fact that most of these developments are in business or industrial parks and the need to provide adequate parking provision. There have however also been a number of intensive office developments; 14 out of the 74 permissions recorded a plot ratio above 70%. They tend to be small and half are located in Basingstoke. The five largest ones are distributed across the three districts with two in Farnborough (6,400 sqm of offices and 12 flats at 1-5 Firgrove Parade, Farnborough and 8,000 sqm at the Waterfront Business Centre in Fleet), two in Rushmoor (4,600 sqm at 108 Hawley Lane and 2,000 sqm at 70 Hawley Lane) and one in Basingstoke (3,700 sqm on Hampshire International Business Park).
- 4.68 Although this is not representative of average plot ratios in the districts as it only looks at permissions and thereby broadly ignores existing developments in town centres, it reflects where investors' interest has been directed which in turns indicates how future provision may change. It might be argued that this will only affect the short-term future and that smart policies may lead to higher development density in the medium and long term. This is an issue we explore to some extent through our site assessment, later on in the report, and that we consider in our conclusions.
- 4.69 It is also worth pointing out that in terms of the current employment land supply, most of it sits outside the town centres and is therefore likely to record lower plot ratios.

#### *Job density*

- 4.70 Research has been conducted on how changing working practices might affect job density, possibly by reducing the need for space per employee. In 2004, DTZ produced a study of this issue in the South East for SEEDA and SEERA which is worth exploring here<sup>14</sup>.

<sup>14</sup> DTZ Pieda Consulting, *Use of business space and changing working practices in the South East*, May 2004

- 4.71 The starting point of the study was the observation that “traditionally, high economic growth has meant decreasing job density i.e more land used. However in recent years rising economic growth has been accompanied by little or no growth of floorspace and falling job : floorspace ratios. It is possible therefore that the traditional relationship between economic growth and requirements for employment land is changing due to gains in productivity”.
- 4.72 The research’s hypothesis is that one factor which may explain this phenomenon is the adoption of new working practices such as:
- Working from home
  - Hot desking
  - Flexi-time
  - Increased out-sourcing
  - Rise of temporary contract / casual labour.
- 4.73 However, having investigated in depth how these practices impact on the use of space in businesses, it found that they only affect a small proportion of total jobs. Their impact is complex and slow and as a result has been very limited overall, except for some office-based employment activities with increasing ICT use.
- 4.74 A 2006 LDA study<sup>15</sup> corroborates these findings by observing that job densities have not really evolved over time since 1997. What affects job densities, within the same activity, is how crowded and expensive an area is i.e. how desirable.
- 4.75 The other most notable contributors to changes in employment land requirements have been industrial restructuring, global competition, tighter regulation and government cost-cutting.
- 4.76 Although, the impact of these new working practices remains marginal, the study feels that there is potential for dramatic impacts on office floorspace use if these practices were implemented by the larger, more technologically advanced sectors in which they are more likely to occur already. It found that office units implementing hot desking use about 30% less floorspace per worker than those who do not.
- 4.77 The trend is supported by progress in ICT and shifts in working patterns but it is unclear whether it is likely to reach a scale sufficient to impact on job density. For this reason, the key for the future use of land use is flexibility.
- 4.78 The conclusion of this is that for our study we can feel comfortable using standard job densities as benchmarks to reality-check the DTZ model further on. Table 4.8 summarises the key findings on job densities from past studies which we will bear in mind.

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<sup>15</sup> LDA, *The use of business space in London*, May 2006

**Table 4.8 : Standard job density benchmarks**

	RTP / SERPLAN 1997 <sup>16</sup> (net)	DTZ / SEERA 2004 (net)	English Partnership guidance 2001 <sup>17</sup> (gross internal)
Offices	General: 17.9 sqm	General: 18.3 sqm Headquarters: 20.7 sqm High tech, R&D: 27.2 sqm	General : 19 sqm Headquarters: 22 sqm Business park: 16 sqm
Industrial	31.8 sqm	30-38 sqm	29-34 sqm
Warehousing	General: 40.1 sqm	(with loading bays) 78 sqm	General: 50 sqm Large scale, high bay: 80 sqm

### *Raising productivity*

- 4.79 The ultimate aim of smart growth is to raise productivity and as a result, wealth, whilst minimizing the impacts on the environment.
- 4.80 Data from Hampshire County Council allows us to take a historical look at productivity and wealth in North Hampshire.
- 4.81 As shown in Table 4.9 below, productivity in North Hampshire has risen faster than in the South East and in the UK over the last 10 years. After experiencing slower growth between 1986-1996, Hart and Rushmoor have experienced similar rates of growth as Basingstoke & Deane between 1996-2006. Despite this however, productivity levels in Hart continue to lag behind the other districts.

**Table 4.9: Productivity per employee, average annual change**

	GVA per employee (£) 2006	1986-1996	1996-2006
Basingstoke & Deane	36,205	2.4%	2.7%
Hart	33,741	1.7%	2.6%
Rushmoor	35,831	1.2%	2.8%
North Hampshire	35,545	1.9%	2.7%
South East	35,691	2.1%	2.2%
UK	33,991	1.7%	1.7%

Source: Hampshire County Council

- 4.82 This improved productivity combined with an expansion of employment has led to high levels of growth in GVA between 1996-2006. It has also been faster than in the region and the UK as a whole.

<sup>16</sup> RTP / SERPLAN, *The use of business space: employment densities and working practices in South East England, 1997*

<sup>17</sup> ARUP, *Employment densities: report for English Partnerships and the Regional Development Agencies, 2001*

**Table 4.10: GVA, average annual change**

	<b>GVA 2006 (£m)</b>	<b>1986-1996</b>	<b>1996-2006</b>
Basingstoke & Deane	3,300	3.6%	4.6%
Hart	1,402	4.3%	6.2%
Rushmoor	1,857	1.9%	4.4%
North Hampshire	6,559	3.2%	4.9%
South East	156,315	3.4%	3.7%
UK	1,060,238	2.4%	2.9%

Source: Hampshire County Council

- 4.83 These two tables illustrate North Hampshire's strong performance both in terms of growth and in terms of the quality of this growth as represented by productivity indicators.

## Conclusions

- 4.84 As a predominantly rural area keen to preserve its environmental assets, achieving smart growth is critical for North Hampshire if it is to accommodate the forecast increase in population and contribute to the South East economic growth without damaging its quality of life.
- 4.85 As it is, North Hampshire overall is amongst the best-performing areas in the country and region. It has high levels of economic activity and low unemployment; it is well positioned to realise a successful transition towards a knowledge-based economy; it draws from a highly skilled pool of labour.
- 4.86 However, like most of the South East, North Hampshire's success is coming at a price. The labour market is tight, the transport network is getting increasingly congested and the sub-region's ecological footprint is very high.
- 4.87 In conclusion, North Hampshire is in a better position than others to achieve growth because of its economic structure and its location in a dynamic, competitive area but will face a number of challenges to deliver smart growth.
- 4.88 It is also worth pointing out that the district with the highest expectations from a strategic point of view i.e Basingstoke is also the one which may be in the weakest position to deliver: its industrial base is still more biased towards manufacturing, knowledge-based activities are less present, it needs to improve its image and continue to upskill its residents. An encouraging point for the future however is that Basingstoke & Deane Borough Council is not only aware of this but has already started taking action to address these issues.
- 4.89 Having established the policy context and key features of North Hampshire, in the next chapter we turn to the local property markets, how they operate and how they perform, in order to complement our quantitative and qualitative knowledge of the area.

## 5 LOCAL PROPERTY MARKET

### Introduction

- 5.1 The 2004 ODPM guidance<sup>18</sup> stresses that employment land allocations should be grounded in market reality and this applies to our study as well. In order to determine the likely market balance for the future we need to understand the dynamics driving demand and supply in North Hampshire.
- 5.2 Therefore, in this chapter, we aim to provide an overview of the qualitative and quantitative features of both the office and industrial markets in each district, including:
- Size and mix of stock;
  - Occupier demand through take-up;
  - Investor demand;
  - Recent changes to the supply;
  - Rents and vacancy levels. Quoted rents on specific deals do not take into account rent free periods which may affect the average rent.
- 5.3 The information presented here combines the market knowledge of property agents Lambert Smith Hampton with the background research undertaken by the districts as part of the evidence base for their LDFs.

### Office markets

#### *Basingstoke & Deane*

- 5.4 The Basingstoke & Deane office market is very distinct from and larger than those in Hart and Rushmoor. Basingstoke town is considered a separate office location, attracting occupiers with specific locational needs. Its location mid point along the M3 between London and Southampton gives the town an excellent base for those occupiers seeking access to both markets as well as access to a skilled workforce. The presence of a number of large scale office developments both in and out of town make it an important office location along the M3 corridor.

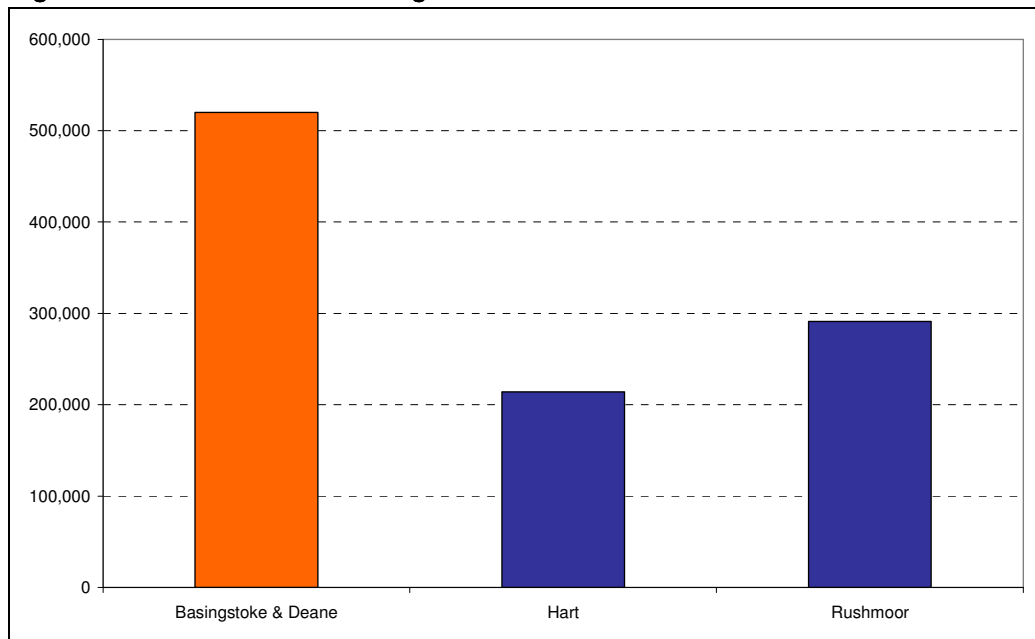
#### *Stock*

- 5.5 There is a total of 5.6m sq ft (520,000 sqm) of office floorspace in Basingstoke & Deane, half of the North Hampshire stock.

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<sup>18</sup> ODPM, *Employment land reviews: guidance note*, 2004

**Figure 5.1 : Office stock in Basingstoke & Deane, 2006**



Source: DCLG / Valuation Office Agency

- 5.6 Office stock in Basingstoke & Deane is younger than in the South East with the main body of buildings having been built between 1981-1990. It also has a higher proportion of offices built since 2001.

**Table 5.1 : Age of office stock in Basingstoke & Deane (% of total)**

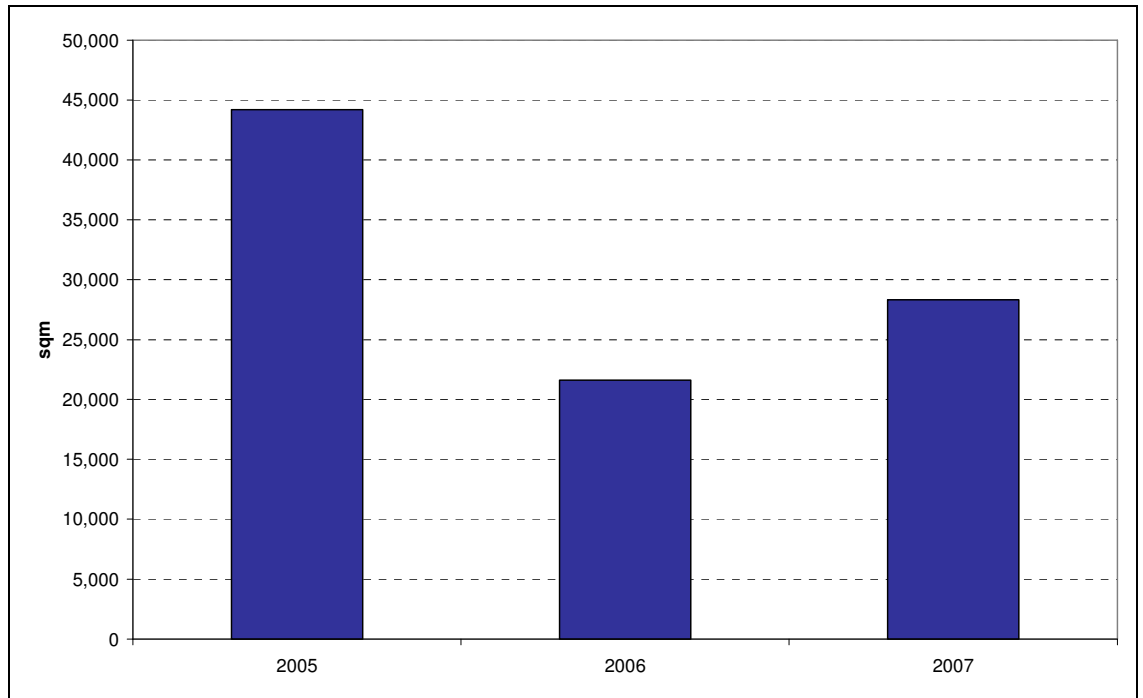
	South East	Basingstoke & Deane
Unknown age	2	1
Pre 1940	40	10
1940-1970	17	21
1971-1980	8	14
1981-1990	19	39
1991-2000	10	7
2001-03	4	7

Source: Valuation Office Agency

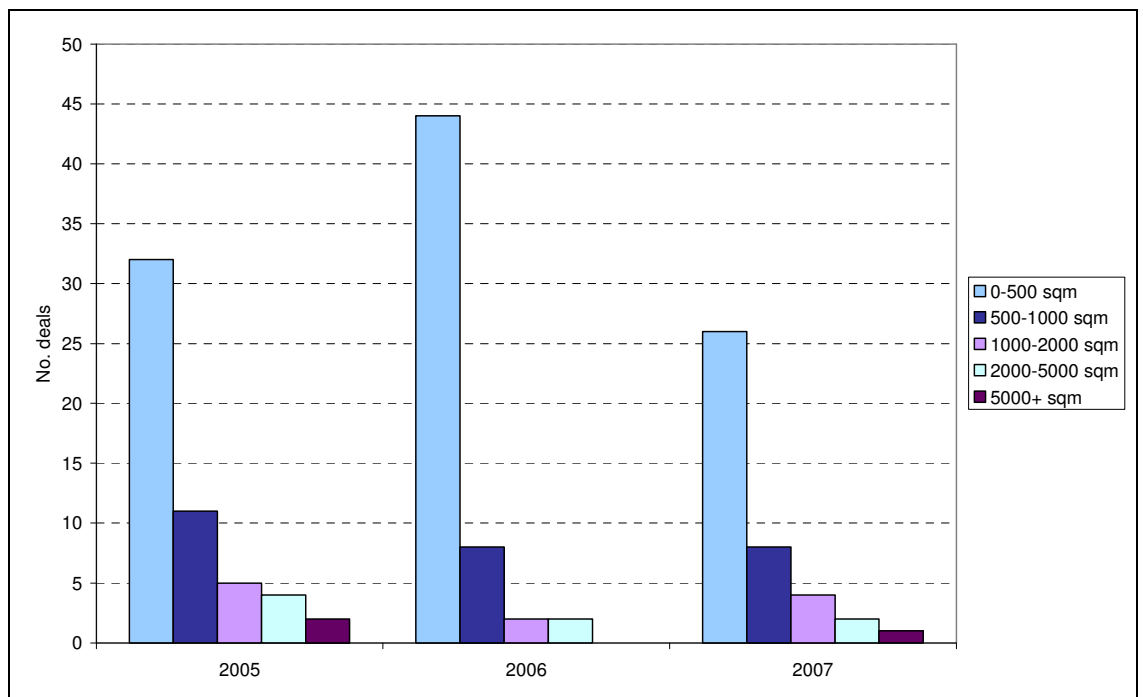
*Demand (occupier and investor)*

- 5.7 Levels of take-up rose during 2007, compared to 2006, with around 300,000 sq ft (28,000 sqm) of space transacted during the 12 month period. However, this is mostly due to a small number of larger than average deals. The most significant of these was the letting of 54,470 sq ft (5,000 sqm) of refurbished space to Scott Wilson at Midpoint at circa £16 per sq ft although this hides rent free periods meaning that the average rent is lower.

**Figure 5.2: Basingstoke & Deane office take-up, floorspace**



**Figure 5.3: Basingstoke office take-up, deals**



Source: Focus

- 5.8 Whilst overall there is demand for larger office units than seen in the other North Hampshire districts generally, a high proportion of space transacted was below 10,000 sq ft (930 sqm) with many of these deals emanating from demand from local occupiers.
- 5.9 There are also a number of requirements currently in the market for space in the range of 10,000 to 20,000 sq ft (930 to 1,800 sqm) which should be resolved given the level of supply in the local area.

- 5.10 In terms of sector driven demand, the business service, finance and pharmaceutical sectors are all important in the Basingstoke market although demand from professional occupiers is limited with such demand tending to gravitate towards Guildford to the east, Reading to the north and Winchester and Southampton to the south.
- 5.11 Speculative development is underway at MEPC's Chineham Park with a building of 40,000 sq ft (3,716 sq m) under construction with the developer hoping that rents of circa £22 per sq ft will be achieved given the high quality nature and the green credentials of the scheme.

*Supply and market balance*

- 5.12 As mentioned previously, a large quantity of office space has been developed over the past two decades although unfortunately demand has not kept pace with this supply leading to a large quantity of unoccupied space in the town. The Vertex building in Basingstoke town is a telling example of this: an award winning building which remains largely vacant.
- 5.13 Although the level of over-supply has diminished in more recent times as the space has been absorbed, it still remains a problem within the Basingstoke & Deane market which has more standing office space than Rushmoor and Hart combined.
- 5.14 Whilst the availability of space has fallen from a high of 1.2 million sq ft (111,500 sq m), total office availability remains in the order of 650,000 sq ft (60,400 sq m), a vacancy rate of circa 13%<sup>19</sup>. This only includes office premises above 5,000 sq ft as we are advised that property agents do not always keep track of smaller units available. We are told that total vacant stock was 969,000 sq ft (December 2007) including all sizes and grades. However, in order to remain consistent with the market analysis for the other districts, we have taken vacant space of premises over 5,000 sq ft and adopted the vacancy level of 650,000 sq ft<sup>20</sup>.
- 5.15 The decrease in availability has occurred over time because of higher take-up levels combined with a lack of new developments.
- 5.16 This high level of availability has had an impact on rental levels with rents for Grade A space standing at just £17 per sq ft despite the fact the availability of the highest quality space is now at relatively low levels.
- 5.17 High levels of availability and depressed rental levels are two of the factors retarding speculative development in the area. Demand for office space in the study area has been limited recently through the performance of the market and conditions are unlikely to substantially change, in the short term, due to the current credit crunch which is affecting the economy as a whole.
- 5.18 The key location in which higher density of employment land use can possibly be created is within Basing View due to its proximity to the town centre and railway station. The freehold of Basing View is owned by the Borough Council who is undertaking master planning work with the aim of revitalising the area and providing a more vibrant viable business destination through improved infrastructure linkages, the encouragement of mixed uses and the development of vacant sites within Basing View. It is acknowledged that such an approach is required in order to stimulate demand for office space within Basing View and the Council have recognised the issues facing the area.
- 5.19 We understand that the Council is likely to retain its freehold ownership for both strategic and income generation purposes, however in doing so it must provide a

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<sup>19</sup> Focus, January 2008

<sup>20</sup> We use this figure of 650,000sq ft rather than 969,000 sq ft in Chapter 7 to determine surplus vacant land and future market balance. In any event the difference in figures does not affect the conclusions of the report in looking at long-term needs for the districts of North Hampshire.

flexible approach with regards to any future lease arrangements so as to not discourage demand. In providing for the regeneration of the area the Council must work alongside other stakeholders with property interests within Basing View in order to achieve success for the area.

- 5.20 Research on behalf of Basingstoke and Deane Borough Council estimates there is capacity for new office space at Basing View of around 650,000sq ft (60,400 sqm) over the next 15 years to 2022. However, it is important to note that there is a current vacancy level of 370,000sqft (34,400 sqm) and that a proportion of the 650,000 sq ft identified will replace existing stock. Therefore, with a base of 1.6 million sq ft (148,700 sq m) in 2006, a fully occupied office market at Basing View in 2022 may total in the 1.75m sqft - 1.9m sqft (162,600-176,600 sqm) range. There is capacity to perhaps exceed these levels through the provision of higher buildings and implicit greater plot ratios given the sustainable location and nature of the existing built environment.

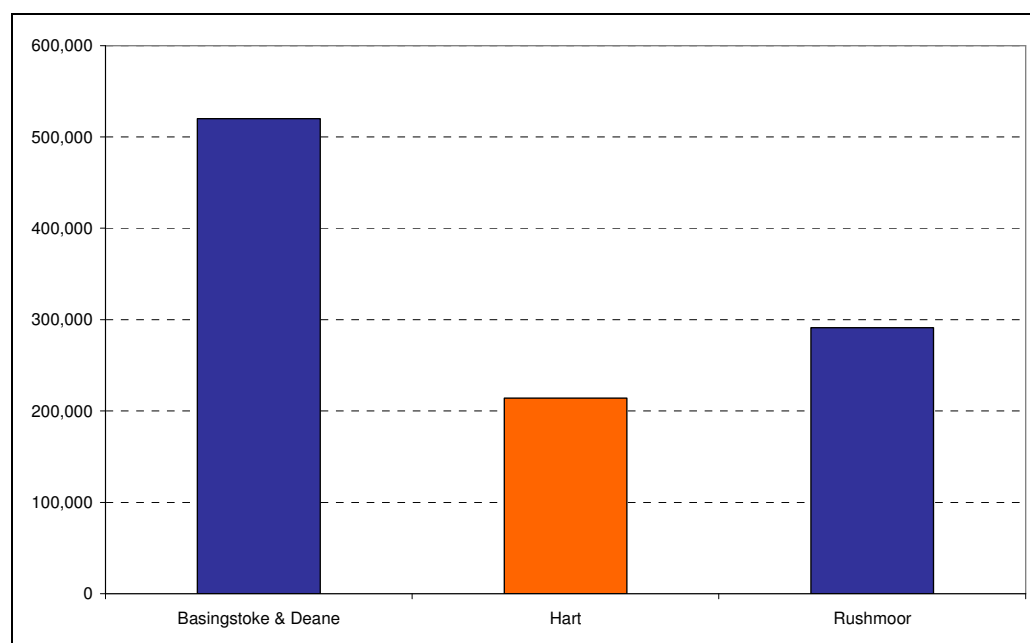
### *Hart*

- 5.21 The office market in Hart is the smallest in North Hampshire. This is a function of the rural nature of much of the district with the largest settlement Fleet a relatively minor commercial centre in the broader area.

### *Stock*

- 5.22 There are a number of larger scale office developments in the district which have occurred due to the district's favourable location near to the motorway and rail networks and in close proximity to London which affords occupiers access to a large pool of skilled labour throughout the wider area. However, the total stock is small at 2.3m sq ft (214,000 sqm) of office floorspace, a fifth of the North Hampshire stock.

**Figure 5.4 : Office stock in Hart, 2006**



Source: DCLG / Valuation Office Agency

- 5.23 The key commercial centres in Hart are Fleet, Yateley and Hook. The majority of space is found in and around Fleet although there is also a concentration of space around Hook.
- 5.24 The age structure of the office stock in Hart is broadly similar to the region as a whole if slightly younger. Indeed 18% of the stock in Hart was built since 1991 compared to 14% in the region.

**Table 5.2 : Age of office stock in Hart (% of total)**

	South East	Hart
Unknown age	2	0
Pre 1940	40	34
1940-1970	17	18
1971-1980	8	6
1981-1990	19	24
1991-2000	10	13
2001-03	4	5

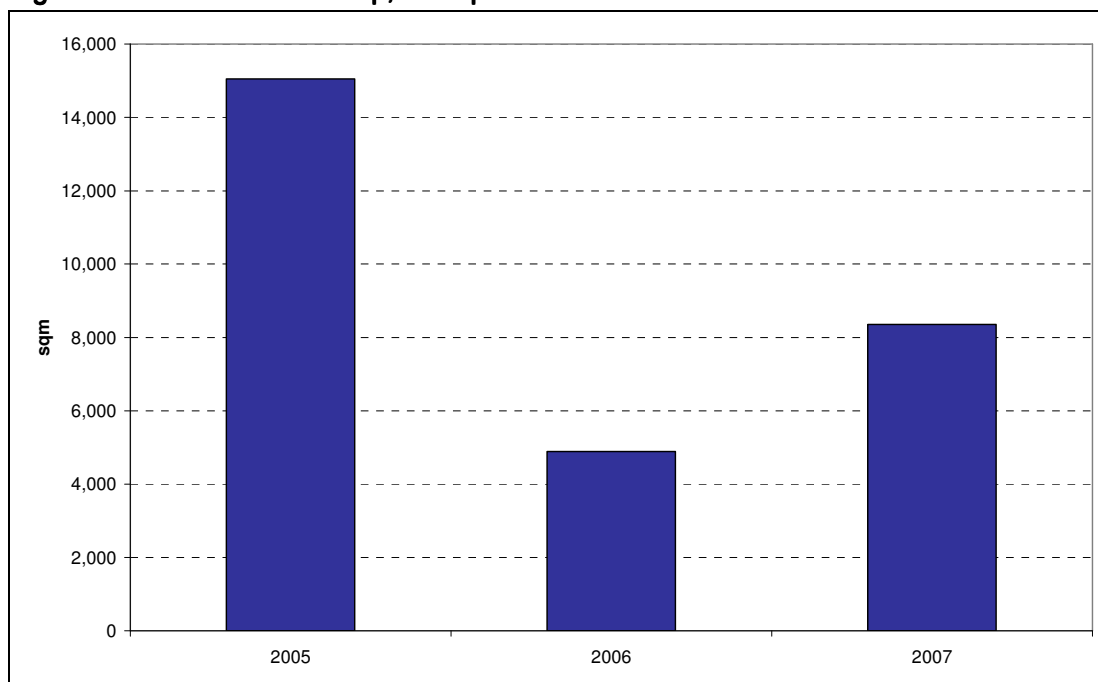
Source: Valuation Office Agency

- 5.25 However, the age profile of the stock varies according to locations. For instance, much of the office stock in Fleet town centre is older space developed during the late 1980s. In fact no new space has been developed in the town centre since 1989.

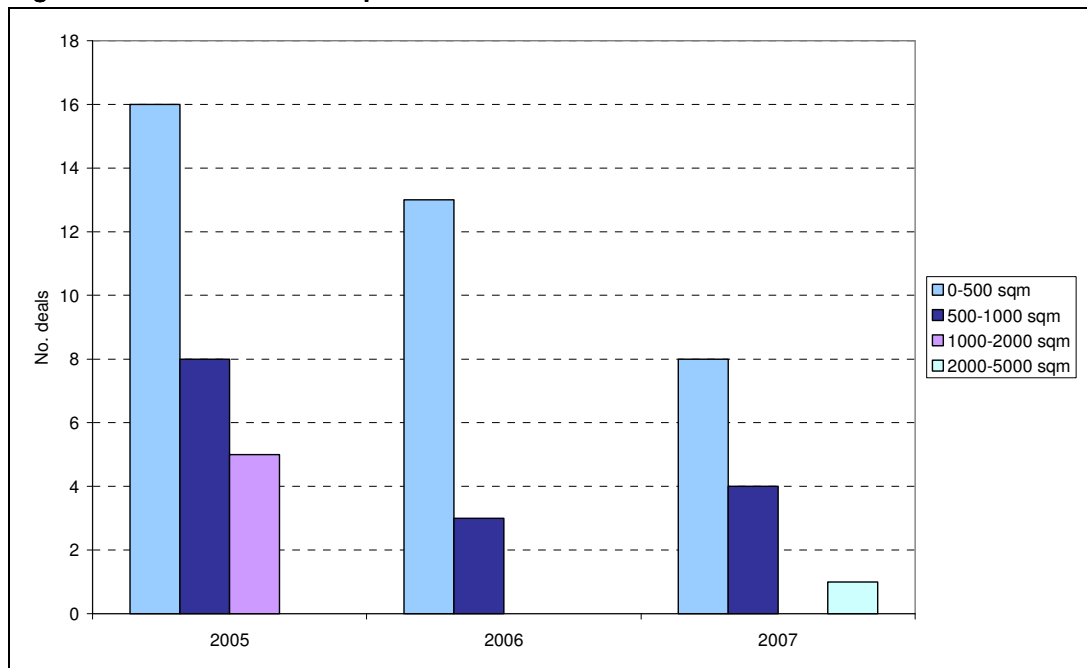
*Demand*

- 5.26 The quality of stock in Fleet means that demand in the town centre is relatively depressed resulting in a relative abundance of vacant space.
- 5.27 The Waterfront development which occupies an edge of town centre site opposite the mainline railway station was developed circa six years ago and totals 110,000 sq ft (10,200 sqm). The scheme is fully occupied in contrast to the Hart out of town market which has high vacancy levels. The appeal of the Waterfront scheme is not only the quality of the development but also its proximity to the railway station.
- 5.28 Across the district, and despite a rise since 2006, levels of office take up remain low with a high proportion of those deals concluded in the sub 5,000 sq ft (460 sqm) category. Total take-up in 2007 amounted to approximately 90,000 sq ft (8,400 sqm).
- 5.29 A positive outcome was the take-up of 42,937 sq ft (3,990 sq m) at Greenwell House by BMW UK Pensions Ltd at circa £20 per sq ft.

**Figure 5.5 : Hart office take-up, floorspace**



**Figure 5.6: Hart office take-up, deals**



Source: Focus

### *Supply and market balance*

- 5.30 The lack of demand, relatively high availability and lower quality stock means that across the district the average vacancy rate is 16% although this somewhat hides the different circumstances between town centre and out of town locations.
- 5.31 In the town centre, despite the success of the Waterfront development, rents remain depressed at circa £13 to £15 per sq ft. Some of the office space has been lost to residential use and the likelihood is that this trend will continue given the depressed nature of the town centre market and the level of demand for residential space in the area.
- 5.32 The out of town market has higher vacancy levels. For example, Ancells Business Park which has a high proportion of telecoms and defence occupiers has a total of 450,000 sq ft (41,800 sqm) of built office space of which 163,000 sq ft (15,140 sqm) is available, a vacancy rate of 36%. At the same time little space has been transacted at Ancells Business Park in recent times as occupiers have a wide range of options throughout the wider area. Similarly there is a large quantity of vacant space totalling in the region of 160,000 sq ft (14,900 sqm) available at Hook's office park. The high levels of vacant space and a general lack of demand mean that rental levels at these out of town location remain at sub £20 per sq ft for the best quality space.
- 5.33 In terms of future supply, whilst the district's out of town office parks do offer development opportunities, at present nothing is being brought forward. A lack of transactional activity, high levels of availability and competition from other centres mean that at present developers are shying away from creating new space. Ultimately it is likely that the supply of office stock in the district will remain relatively low due to the supply of modern stock in centres such Farnborough, Frimley and Camberley just a short distance away.

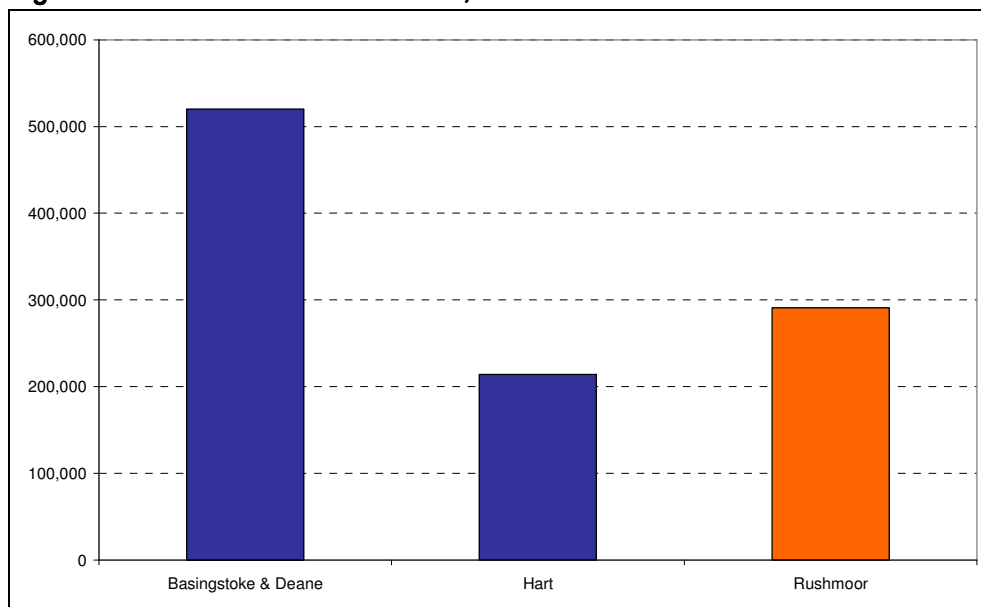
### *Rushmoor*

- 5.34 The office market in Rushmoor is dominated by Farnborough. Farnborough town centre is seen as a desirable location in no small part due to the presence of the mainline railway station and the connectivity it offers. Whilst Aldershot is a sizeable commercial centre, its office market has been stagnant for many years.

*Stock*

5.35 There are 2.3m sq ft (291,000 sqm) of office floorspace in Rushmoor, 28% of the North Hampshire stock.

**Figure 5.7: Office stock in Rushmoor, 2006**



Source: DCLG, Valuation Office Agency

5.36 'Recent' stock in Rushmoor is significantly smaller than in the region and the other North Hampshire districts. Only 8% of offices were built since 1991 in Rushmoor compared with 14% in the South East as a whole.

**Table 5.3: Age of office stock in Rushmoor (% of total)**

	South East	Rushmoor
Unknown age	2	1
Pre 1940	40	37
1940-1970	17	20
1971-1980	8	16
1981-1990	19	18
1991-2000	10	5
2001-03	4	3

Source: Valuation Office Agency

*Demand (occupiers and investors)*

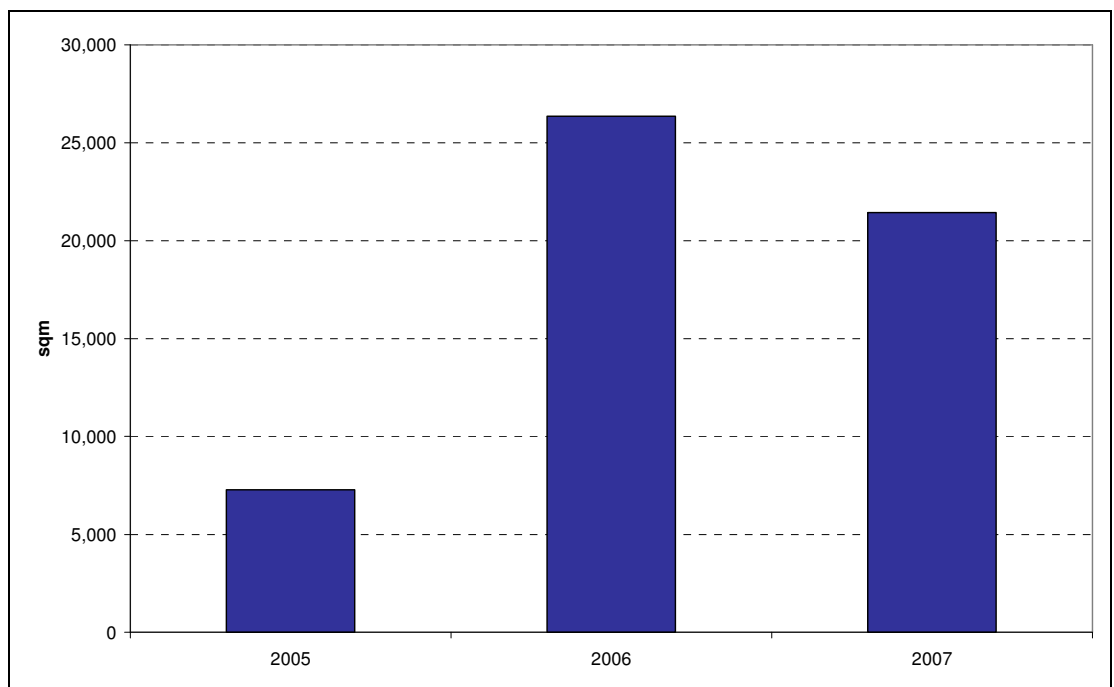
5.37 Aldershot and Farnborough have evolved differently as office markets so we look at them separately where relevant.

5.38 Aldershot is dominated by older office space with little or no development in and around the town over the past two decades. The existing space is largely of poor quality and as a result, demand is low. The town's poor image and comparatively low skills base has hindered its rejuvenation and its appeal as a business location. In many ways Aldershot is an anomaly in the wider area but until some of these issues are addressed it will continue to remain depressed with office occupiers gravitating to other locations elsewhere in the district and the wider area. Rushmoor Borough Council has realised this and intends on tackling these issues and supporting the

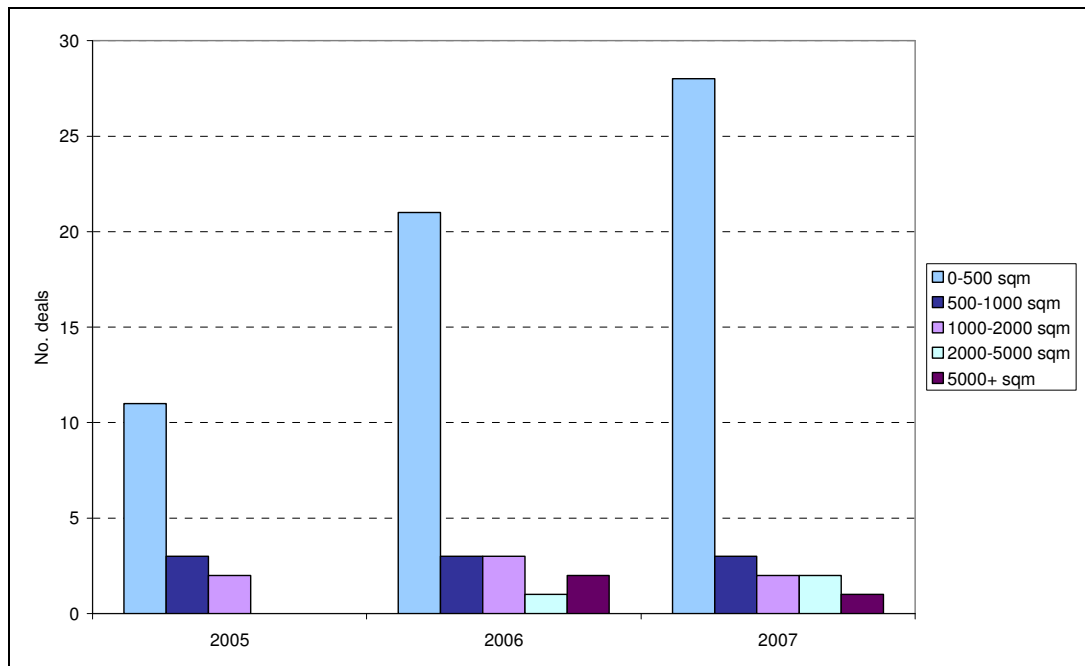
revitalisation of Aldershot through implementation of its emerging Local Development Framework, Sustainable Community Strategy and Economic Development Strategy.

- 5.39 Farnborough has in comparison to Aldershot a thriving office market which has seen the development of a number of successful office parks whilst its town centre market continues to flourish although it has a limited stock which is under pressure from alternative uses. Indeed, Concept 2000, a blue-chip building developed during the 1980s, has recently been knocked down to make way for residential development and there is a possibility that more sites could be lost to residential uses.
- 5.40 Take-up in 2007 in Rushmoor reached around 226,000 sq ft (21,000 sqm), a slight decrease from 2006 but still 3 times the 2005 figure. Whilst the high 2006 figure relied on couple of large deals, take-up in 2007 recorded a considerable rise in the number of small (sub 5,000 sq ft) deals. Demand for larger premises tends to locate out of town.

**Figure 5.8 : Rushmoor office take-up, floorspace**



**Figure 5.9 : Rushmoor office take-up, deals**



Source: Focus

5.41 In sectoral terms, demand tends to emanate from a broad range of occupiers with professional organisations more present in the town centre than on Farnborough's business parks. In addition to these professional organisations, the town centre is home to a large number of business service occupiers the largest of which is Thomson Directory which occupies circa 60,000 sq ft (5,600 sqm).

5.42 There is demand for space out of town as evidenced by the letting of 56,000 sq ft (5,200 sqm) to ICM at Southwood Business Park and, recently, around 80,000 sq ft (7,400 sqm) to Zurich at Farnborough Aerospace Centre. There has also been demand for smaller leasehold and freehold units as demonstrated by the letting of space in The Hub on FBP and the sale of four units at Aero Park. However, Aero Park does show that quality is an important factor as a number of office units remain available at this scheme which does not offer premises of the highest grade. Given the level of supply in the wider area, occupiers do have a range of options and will tend to opt for higher quality locations with improved amenities as can be found at FBP.

#### *Supply and market balance*

5.43 Overall, there is a ready supply of space in Rushmoor with an 18% vacancy rate. As such the market has often been described as oversupplied although this is perhaps a simplistic view. The market can be divided between town centres and other locations.

5.44 In Farnborough town centre, with no new space available and high levels of demand, good quality refurbished space such as that found at Spectrum Point commands £20-22 per sq ft.

5.45 The out of town market is dominated by SEGRO's Farnborough Business Park. The 1.5 million sq ft (139,400 sqm) office scheme offers a good balance of quality, speculatively built space along with a number of amenities often lacking from out of town office parks. Whilst some have bemoaned the over supply of office space in recent years in the wider area, FBP has continued to let speculatively built space ranging from starter units to HQ-style office buildings thus appealing to a broad range of occupiers particularly from the telecommunications, IT and business services sectors. Interestingly new space at FBP has commanded circa £21 per sq ft, a premium over rents for similar space elsewhere in the wider area as demonstrated by

the recent letting of 180,000 sq ft (16,700 sqm) to Siemens in Frimley at circa £18.50 per sq ft. The next wave of development at the park is being quoted at £25 per sq ft although it remains to be seen whether this will be achieved as construction of new development has been relatively slow: only 16% of the park has been built out overall.

- 5.46 Another significant development of the past few years is the Computer Science Corporation office development at the Royal Pavilion site. The site is a 45 acre woodland site and CSC secured planning consent for 380,000 sq ft (35,315 sq m) of office accommodation. We understand that 280,000 sq ft (26,000 sq m) have been built in five 4 storey office blocks and there is the capacity for the company to implement the outstanding planning consent amounting to around 9,000 sq.m.
- 5.47 In terms of the supply pipeline it is unlikely that more space will be brought forward in the town centre in the foreseeable future. FBP will remain the main source of space in Farnborough with a number of units available from sub 5,000 sq ft (460 sqm) up to 40,000 sq ft (3,700 sqm). The large bank of land available at the scheme will mean that the developer will continue to be able to develop speculative space as and when required. There is new space available at a number of other sites including the remaining nine units at Aero Park; a 44,000 sq ft (4,100 sqm) building at Southwood Business Park and 31,500 sq ft (2,900 sqm) at Farnborough Aerospace Centre. Given current levels of supply in Farnborough and the surrounding area and the dominance of FBP in the wider market, the market for pre-lets is virtually non-existent. Furthermore, those seeking to develop space speculatively would need to create space of exceptional quality in a superior environment given the range of options currently available in Rushmoor and the wider area.

## The industrial market

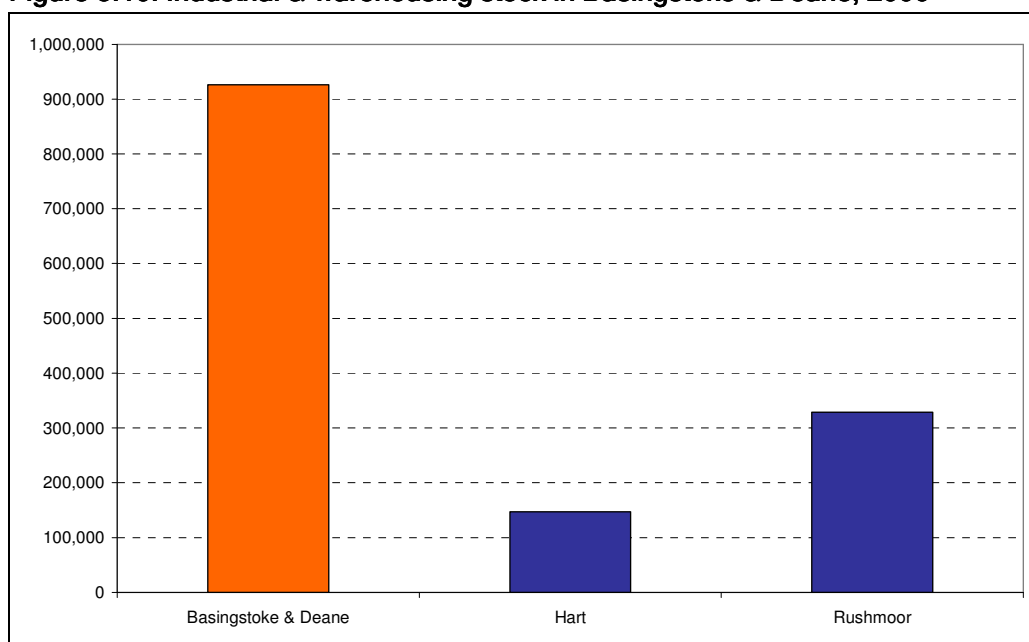
### *Basingstoke & Deane*

- 5.48 Basingstoke is the dominant commercial centre in North Hampshire and has the greater concentration of industrial space. Its proximity to the South Coast and the strategic road network makes it particularly appealing for logistics.

### *Stock*

- 5.49 In terms of total floorspace, Basingstoke & Deane has almost twice as much industrial space as both Hart and Rushmoor combined, demonstrating the importance of the district as an industrial location within the North Hampshire market.

**Figure 5.10: Industrial & warehousing stock in Basingstoke & Deane, 2006**



Source: DCLG, Valuation Office Agency

- 5.50 A distinguishing feature of Basingstoke & Deane is the very low proportion of B2-B8 stock that was built before 1940. Generally, the stock of B2 space in Basingstoke is younger than in the region but there has been little development since 1991.
- 5.51 B8 space clearly generates more demand as construction of new space is continuing. Indeed, over half of the total stock has been built since 1980.

**Table 5.4 : Age of industrial and warehousing stock in Basingstoke & Deane (% of total)**

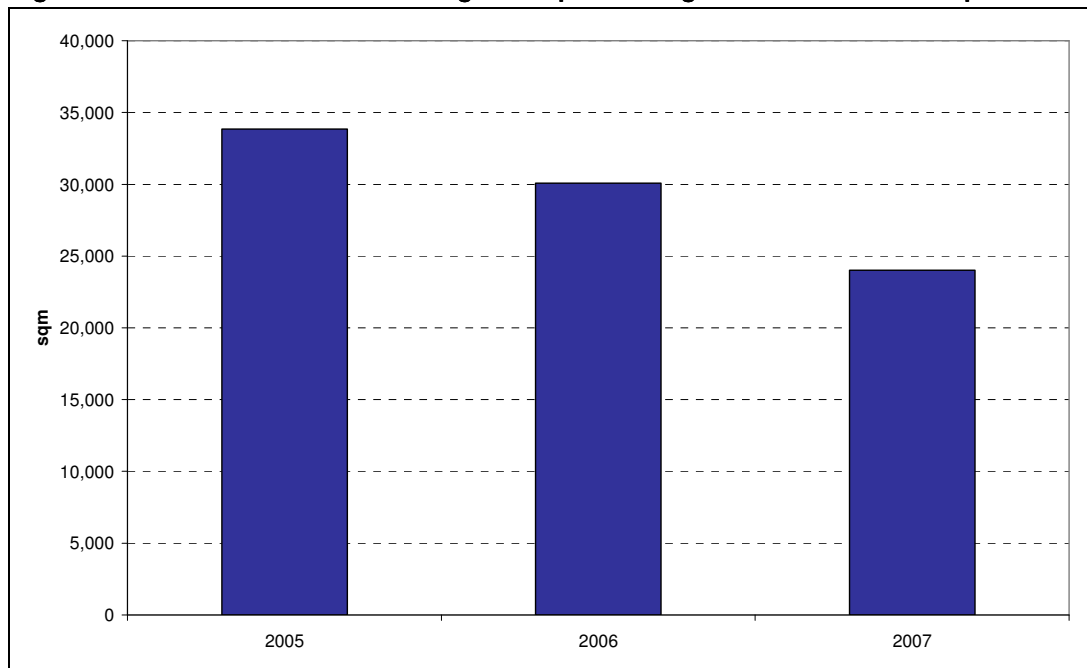
	South East		Basingstoke & Deane	
	Factories	Warehouses	Factories	Warehouses
Unknown age	1	2	1	0
Pre 1940	25	23	8	6
1940-1970	33	28	36	21
1971-1980	10	13	15	18
1981-1990	22	23	29	40
1991-2000	7	9	5	10
2001-03	3	3	6	6

Source: Valuation Office Agency

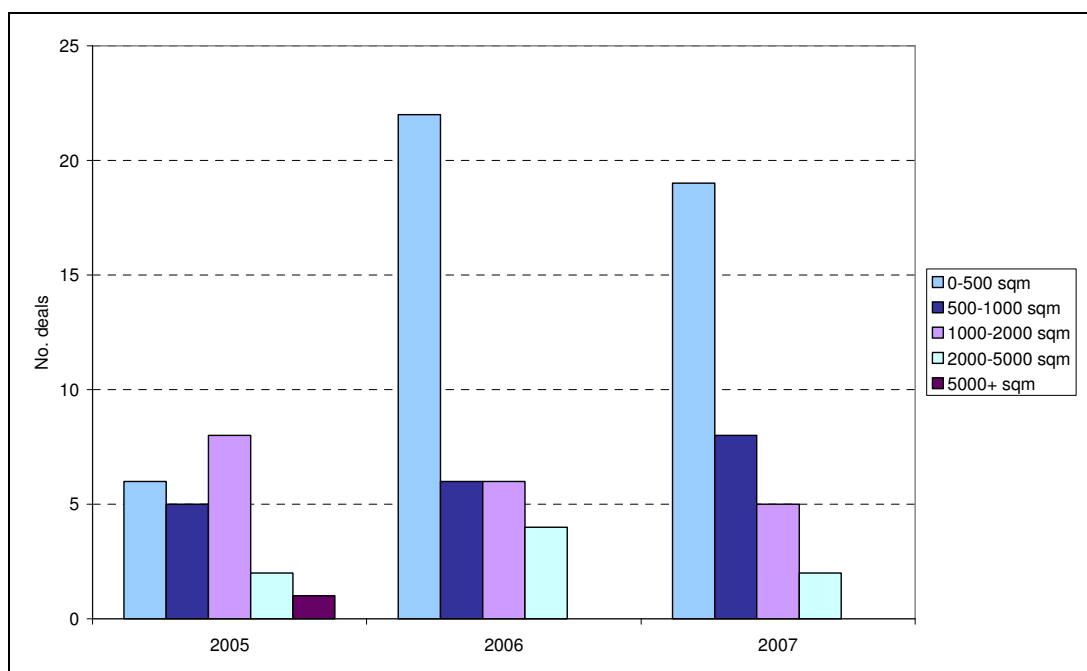
#### *Demand*

- 5.52 In contrast to both Rushmoor and Hart, Basingstoke & Deane has a much wider appeal for potential occupiers, from large logistics operations through to local occupiers requiring small units, largely due to the supply and range of industrial space in the town.
- 5.53 This is seen in the charts below which show much higher levels of take-up across a broader spectrum of size ranges. Despite this however, total take up has been dropping since 2005 to reach about 250,000 sqft (23,200 sqm) in 2007.

**Figure 5.11: Industrial & warehousing take-up in Basingstoke & Deane, floorspace**



**Figure 5.12: Industrial & warehousing take-up in Basingstoke & Deane, deals**



Source: Focus

- 5.54 There are some substantial logistics occupiers in the town such as Sainsburys, Game and Fyffes on the Houndmills Industrial Estate north west of the town centre. The Basingstoke circular road (Ringway) makes all of the industrial estates in the town easily accessible to the M3 motorway at Junction 6. Other companies with logistics facilities in the area include Sony, Motorola and Urbis Lighting, indicative of the popularity of Basingstoke with the logistics sector.
- 5.55 Demand for smaller quantities of space (below 10,000 sq ft - 930 sqm), predominantly from local occupiers, is also apparent in the market including demand for freehold units. This demand focuses on a number of estates: Daneshill Industrial Estate in particular, West ham Industrial Estate and the Moniton Industrial Estate which is

characterised by lower quality dated space. The Daneshill, Kingsland and Wade Road Estates have the largest concentration of industrial space in the Basingstoke area. The area has been under development since the 1960s and is now part owned by the local authority and Brixton Estates, the latter of which has undertaken some development in more recent times with space predominantly aimed at the logistics market. The industrial areas owned by Brixton Estates are collectively known as Kingland.

- 5.56 Also of note is Bilton Industrial Estate which has increasingly become home to trade counter occupiers whilst the Viabes Business Park is home to a number of hi-tech occupiers.

#### *Supply and market balance*

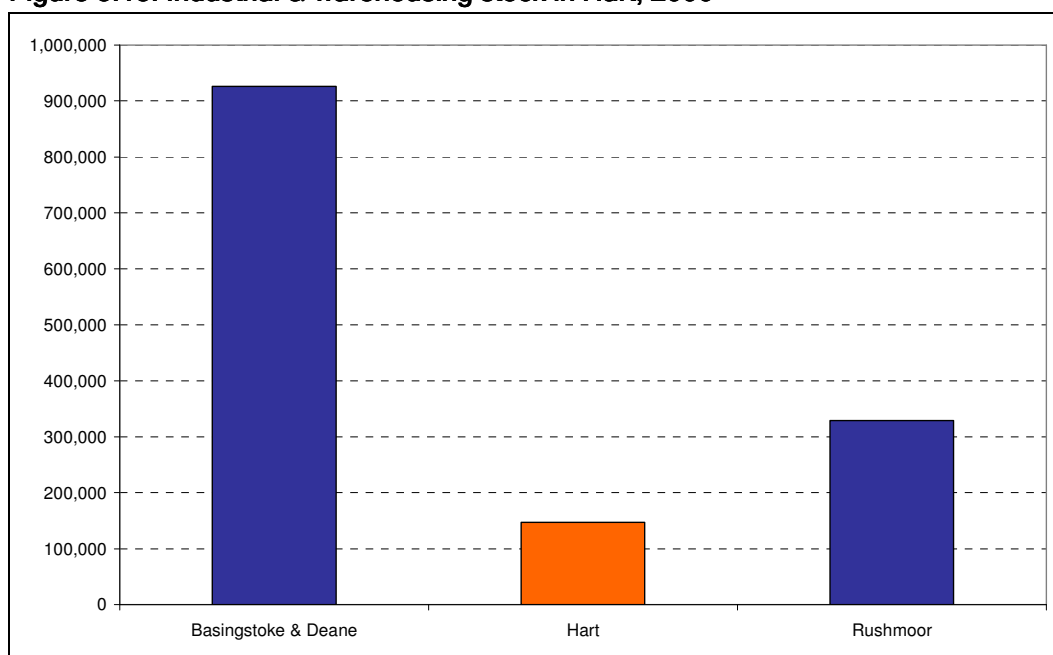
- 5.57 Whilst there is a broader range of options in Basingstoke & Deane due to the much larger supply of stock in the district compared with other parts of North Hampshire, the supply of high quality modern space across many size ranges is limited.
- 5.58 In addition, much of the space is aimed at the smaller occupier with a number of small unit developments in the town such as the newly built IO Centre at Houndmills. Brixton Estates have recently completed Phase One of the Horizon development on Kingsland. Once Phase Two is completed, the scheme will ultimately comprise a total of 1.2m sq ft (116,790 sq m) in six units. Otherwise the amount of new industrial space in the market at present is limited and there is a dearth of space to satisfy larger occupiers, a sector of the market for which there is undoubted demand.
- 5.59 The broad base of demand and the general lack of supply of high quality space have driven prime industrial rents to circa £8.50 per sq ft. Despite this, there is a vacancy rate of approximately 10% highlighting some degree of mismatch between supply and demand for industrial space.
- 5.60 At present there is very little if any land available for industrial development. As a result the future supply of space is likely to emanate from the redevelopment and refurbishment of existing space which will ultimately limit the quantity of new space to reach the market.

#### *Hart*

##### *Stock*

- 5.61 The quantity of commercial development in Hart is limited. At the latest count, there were just 1.6m sq ft (147,000 sqm) of industrial and warehousing floorspace in Hart.

**Figure 5.13: Industrial & warehousing stock in Hart, 2006**



Source: DCLG, Valuation Office Agency

- 5.62 The majority of the industrial space is found on the Redfield, Church Crookham, Osbourne Way (Hook), Blackbushe and Blackwater Industrial Estates whilst more modern space is available at Murrell Green Business Park at Hook. Refurbished space is also available at Redfields Industrial Park ranging from 6,130 to 52,750 sq ft (659 - 4,900 sqm) although the quality of the space means that it is unlikely to appeal to a high proportion of occupiers.
- 5.63 As shown in Table 5.5, there has been a renewal of B2-B8 supply in Hart over the past 15 years. The stock of factories built in Hart since 1991 is much higher than in the region. They represent 26% of the total stock compared to 10% for the South East. A similar observation applies to warehouses as well.

**Table 5.5: Age of industrial and warehousing stock in Hart (% of total)**

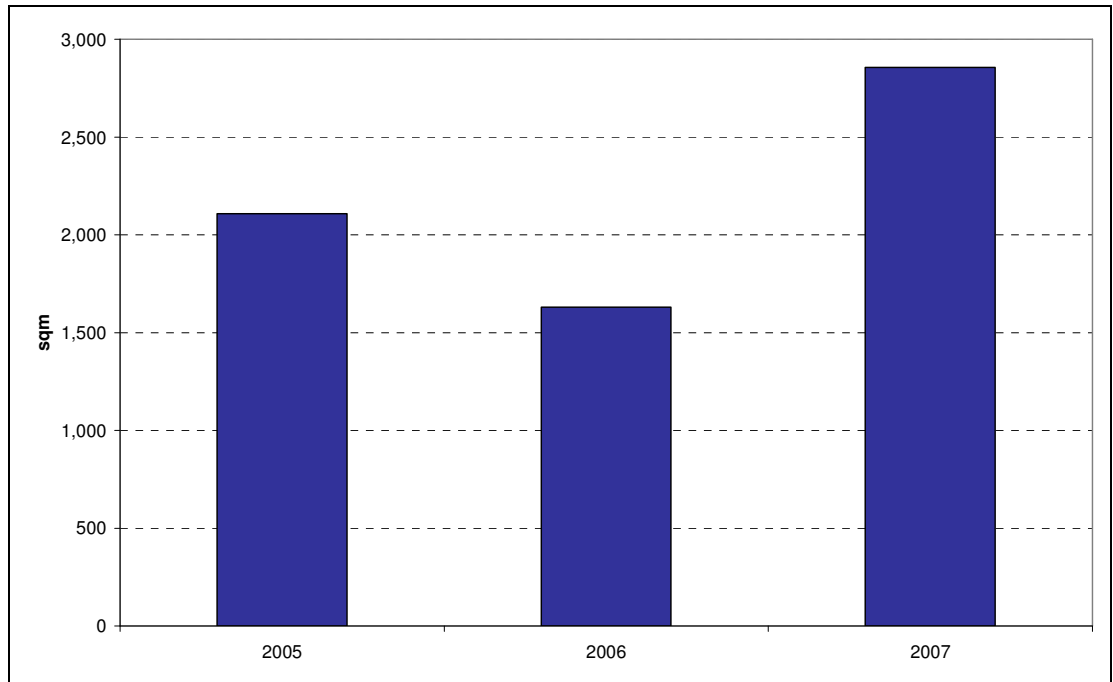
	South East		Hart	
	Factories	Warehouses	Factories	Warehouses
Unknown age	1	2	0	1
Pre 1940	25	23	27	14
1940-1970	33	28	17	36
1971-1980	10	13	6	15
1981-1990	22	23	24	12
1991-2000	7	9	12	20
2001-03	3	3	14	1

Source: Valuation Office Agency

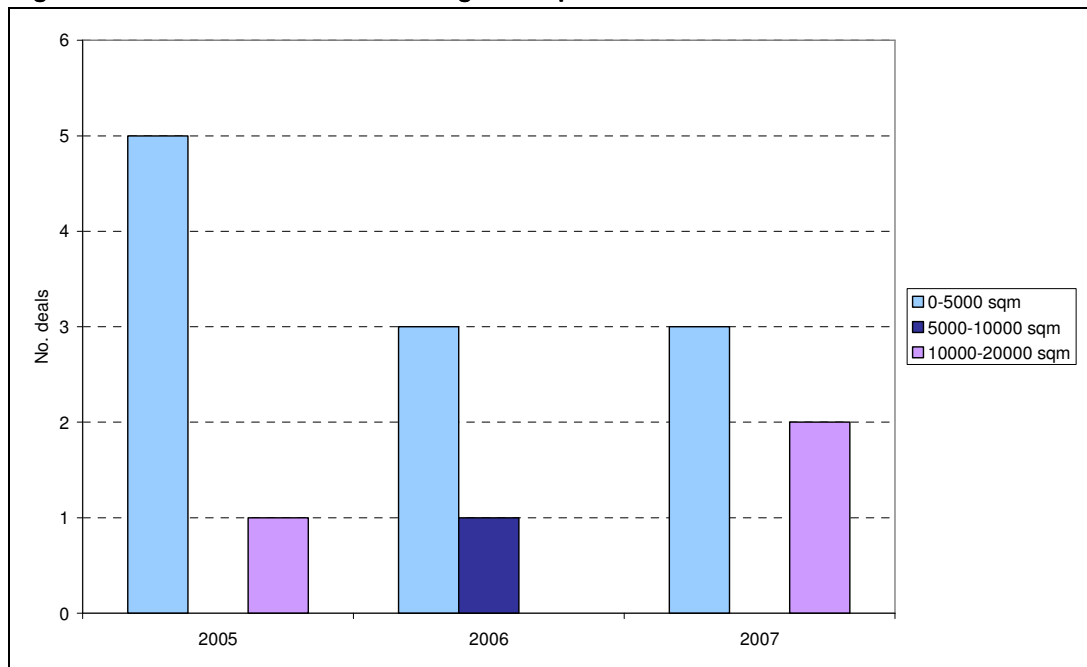
#### *Demand*

- 5.64 Take-up in Hart is by far the lowest of the North Hampshire district. In 2007, a comparatively good year, it reached around 29,000 sq ft (2,800 sq m) driven by a number of larger deals.

**Figure 5.14: Industrial & warehousing take-up in Hart, floorspace**



**Figure 5.15: Industrial & warehousing take-up in Hart, deals**



Source: Focus

- 5.65 The estates listed previously are home to a range of largely local occupiers residing in premises below 10,000 sq ft (930 sqm) developed on a piecemeal basis throughout the last 40 years although Murrell Business Park does offer more modern options. As a result, much of the space in the local area is not of particularly high quality.
- 5.66 A lack of supply, few development opportunities and the low profile nature of Hart as an industrial location result in low levels of demand from occupiers outside the area although Prudential and Astral Developments which plan to bring forward industrial development at the Hartland Park Site obviously believe that there is the potential to attract a broader range of occupiers. However, a lack of options for those seeking

space does limit the market and there is a definite need for new, high quality space of less than 10,000 sq ft (930 sqm). There is also strong demand for freehold units which is again indicative of the dominance of demand from local occupiers.

- 5.67 The development of new space has been very limited in recent years with such activity limited to Osbourne Way where there has been some redevelopment and refurbishment activity and Murrell Green Business Park. Development/refurbishment that has taken place has been of smaller units reflecting demand within the area. That said, Salmon Harvester Properties are developing a scheme of 12 industrial units with office content totalling 154,500 sq ft (14,300 sqm) with units ranging from 5,317 to 40,644 sq ft (500 to 3,800 sqm) although the majority of the units are aimed at the smaller occupier. The fact that the developer is willing to build speculatively is testament to the depth of demand in the local area for smaller industrial units with both leasehold and freehold options available.

#### *Supply and market balance*

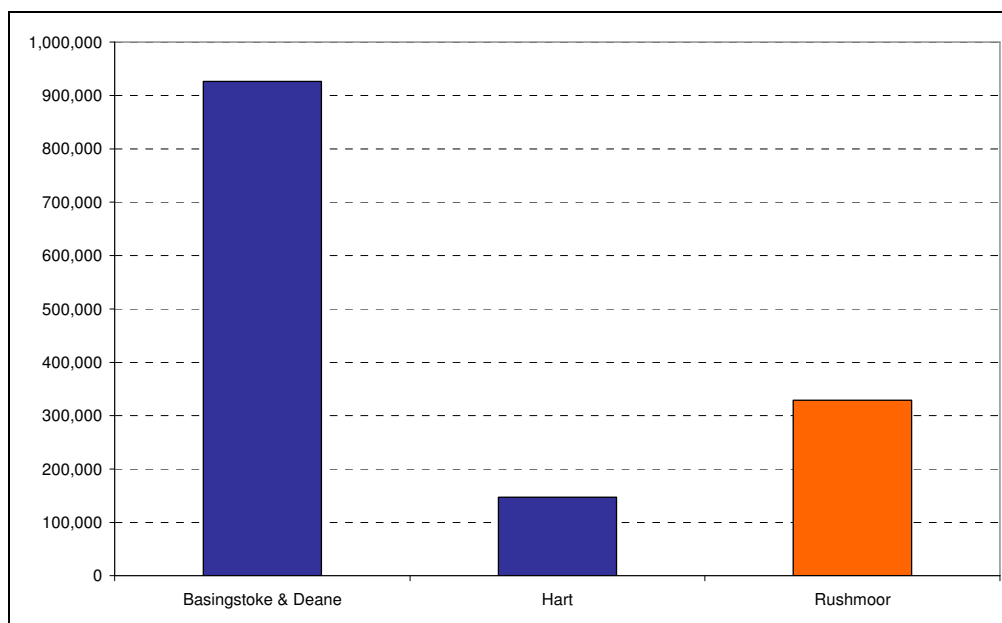
- 5.68 As seen previously, supply is limited as is the development of new space. Rents for high quality space are now in the order of £9 to £10 per sq ft with recent increases indicative of both good levels of local demand and ultimately lack of supply.
- 5.69 Vacancy rates are still significant, at 13%, showing that despite the level of demand for space and the lack of options for those seeking space there might be some mismatch between what is offered and what is sought.
- 5.70 In terms of future development, a site near to Junction 4a of the M3 was acquired by Sun Microsystems for a headquarters facility and as such has been lost as a potential industrial employment site. The Hartland Park site which has the potential for 1.5 million sq ft (139,400 sqm) of industrial and distribution space has yet to be brought forward in part due to clean-up issues associated with the site. However, there are plans to bring forward the development of larger distribution units at the site which are largely absent from the area at present, the thinking being that the proximity of the M3 to the site will be seen as a definite boon to potential distribution occupiers.

#### *Rushmoor*

- 5.71 Whilst there is certainly a greater level of commercial development in the district than in neighbouring Hart, the area is not renowned as an industrial location with offices the more dominant sector of the market.

This is highlighted in the chart below which shows that there is less than 4 million sq ft (371,700 sqm) of industrial space across the district.

**Figure 5.16: Industrial & warehousing stock in Rushmoor, 2006**



Source: DCLG, Valuation Office Agency

- 5.72 Within Aldershot, the North Lane area is home to the highest concentration of industrial space. Other notable estates within Rushmoor include the Blackwater Valley Industrial Estate, Albany Park, Lyon Way, Eelmoor Road/Arrow Road Industrial Estates and Invincible Road.

**Table 5.6 : Age of industrial and warehousing stock in Rushmoor (% of total)**

	South East		Rushmoor	
	Factories	Warehouses	Factories	Warehouses
Unknown age	1	2	2	1
Pre 1940	25	23	14	12
1940-1970	33	28	27	21
1971-1980	10	13	21	22
1981-1990	22	23	23	38
1991-2000	7	9	3	6
2001-03	3	3	11	0

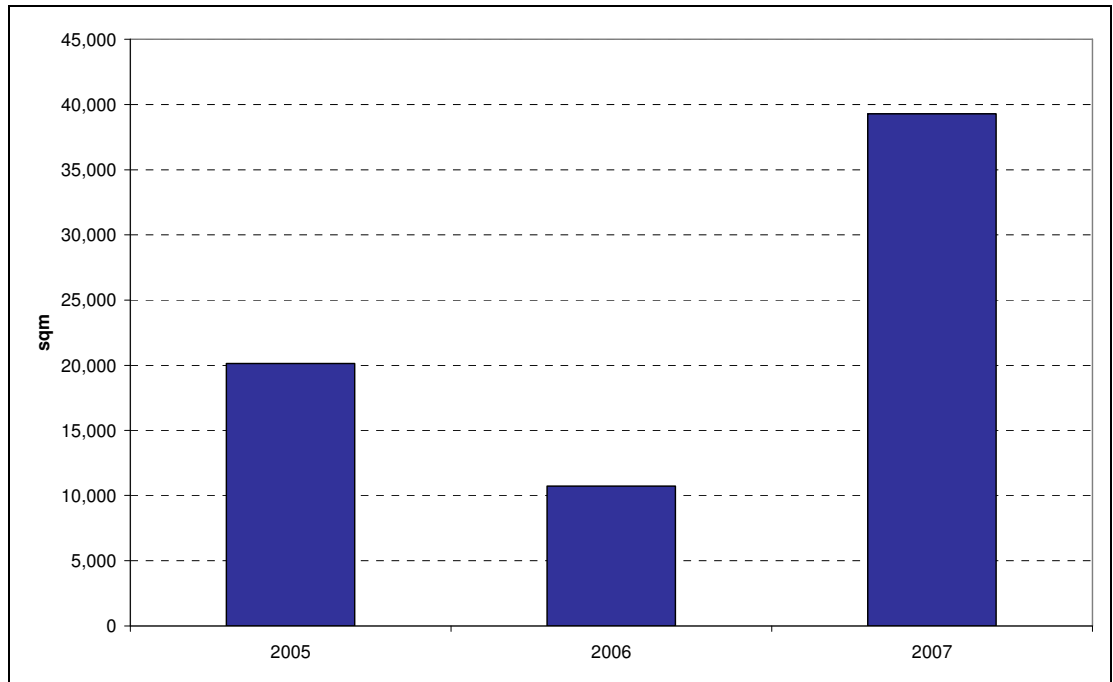
Source: Valuation Office Agency

- 5.73 The age structure of the B2 stock in Rushmoor is broadly similar to the region, except with a lower proportion of stock built before 1970 and 11% of B2 space built between 2001-03 suggesting a large development. For B8 space on the other hand, there seems to have been a slowdown in the provision of new space since 1991 after a peak between 1981-1990.

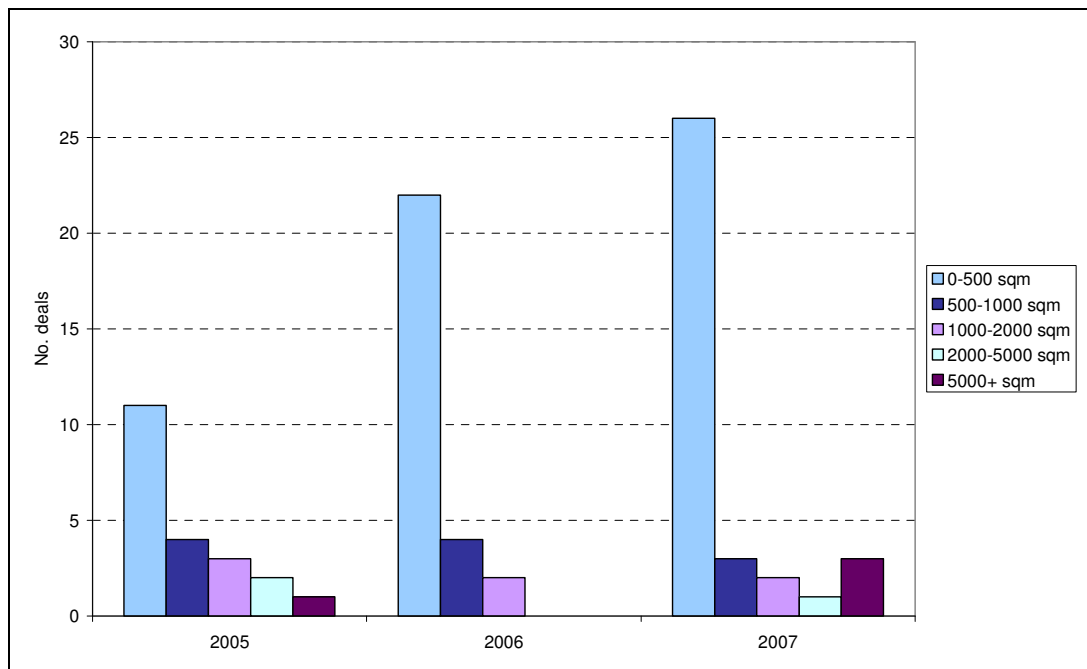
#### *Demand*

- 5.74 Total take-up in Rushmoor in 2007 is much higher than in the two previous years, reaching about 42,000 sq ft (3,900 sqm), with about two thirds in Farnborough.
- 5.75 As shown in Figure 5.18 this is the result of both an increase in the number of small deals and the completion of a number of larger deals.

**Figure 5.17: Industrial & warehousing take-up in Rushmoor, floorspace**



**Figure 5.18: Industrial & warehousing take-up in Rushmoor, deals**



Source: Focus

- 5.76 At North Lane, there has been some recent industrial development including the Pegasus scheme comprising units below 5,000 sq ft (460 sqm) which is now fully occupied. In general the estate comprises units below 10,000 sq ft (930 sqm) and is fully occupied.
- 5.77 Occupancy levels are similarly high across the other key estates, despite the variable quality of much of the space which has largely been developed on an ad hoc basis over the past 30 or more years. Most of the demand emanates from local occupiers seeking up to 10,000 sq ft (930 sqm) although there are larger units on the North Lane

and Invincible Road estates. The skew of demand towards the smaller end of the market is clearly illustrated in Figure 5.18.

*Supply and market demand*

- 5.78 The local supply and demand dynamic has led to healthy demand at the smaller end of the market for both new and second-hand space resulting in rental levels of between £7.00 and £9.00 per sq ft for good quality second-hand space and circa £10.00 per sq ft for new space.
- 5.79 However, the potential for further industrial development in the district is limited by a lack of land and competition from housing. This may lead to future development being confined to infill plots, or recycling existing industrial space.
- 5.80 The majority of the previously mentioned industrial locations in Rushmoor offer scope for redevelopment and given current levels of demand coupled with the lack of options in terms of new space and the success of new developments such as Pegasus it seems probable that the development of units of sub 10,000 sq ft (930 sqm) available on both a freehold and leasehold basis largely to service the local market would prove popular.
- 5.81 In theory, there might also be some potential for industrial space at Farnborough Business Park. However, to date no industrial space has been brought forward on the 125 acre site with the majority of commercial development having been office space as well as residential, hotel, car showroom. At present there are no plans to bring forward industrial development on the site and it is likely that this will remain the developer's policy given the success of office development at this scheme.
- 5.82 At Aero Park, also in Farnborough, some industrial space has been brought forward by developer Terrace Hill with an initial phase of 20 industrial units (and 15 office units) of sub 5,000 sq ft (430 sqm) available on a freehold basis having proved popular. There is consent for a total of 350,000 sq ft (32,500 sqm) of B1 space on the site with a further 270,000 sq ft (25,100 sqm) to be built in further phases. Given the success of the initial phase of industrial development and an undoubted demand for smaller industrial units in the area it is hoped that these further phases will have an industrial element in order to address the shortage of this type of space in the area. Given the lower level of demand for office space at Aero Park to date this remains a distinct possibility although for the time being, the developer is likely to seek to focus on office development. Interestingly two acres of land have been sold to the Driving Standards Agency for a multi purpose driving test centre - this particular use is a departure from traditional 'employment use', but the DSA were able to identify very few available sites when they were conducting their site searches in the area and were able to demonstrate a case which was eventually accepted by the local planners. This only serves to highlight the acute shortage of industrial land for development in Rushmoor as pressure from other land uses continues.

## 6 FUTURE LAND REQUIREMENTS

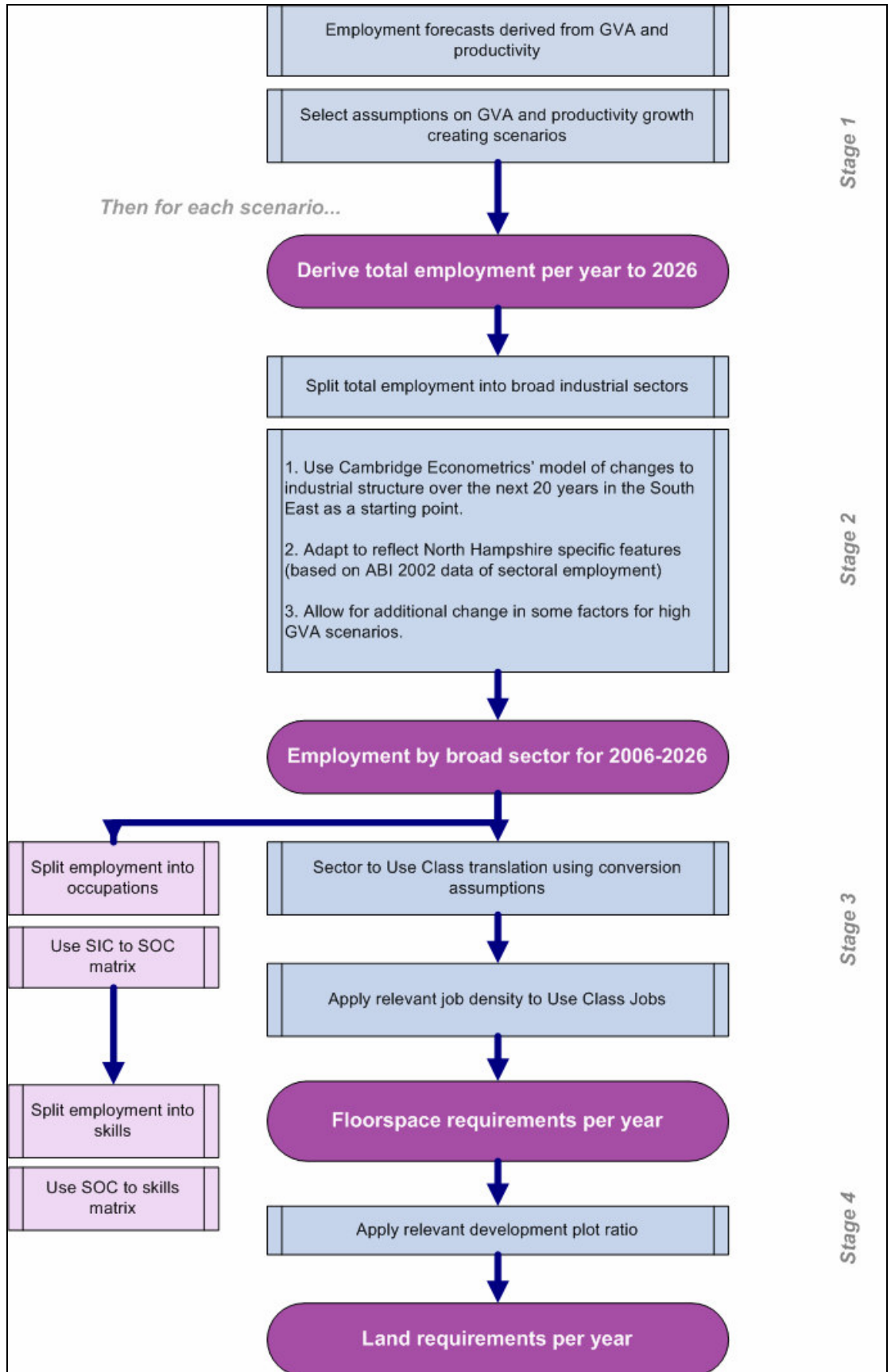
### Introduction

- 6.1 As mentioned at the beginning of the report, the South East Plan quotes a shortfall in employment land in North Hampshire of 40-60 ha for the next 20 years. However, this figure is not accepted unanimously as representative of the North Hampshire circumstances, now and for the future. This is mostly due to unresolved debates on the choices of job densities and plot ratios used in the model but also to the absence of an analysis of local property markets.
- 6.2 Given the importance of the South East Plan on local planning decisions, it is important for the estimates to be as accurate and robust as possible by taking into account the specific nature of the economy and employment land provision in North Hampshire.
- 6.3 To achieve this, in the next two chapters, we review both sides of the equation - i.e the demand forecasts and the supply pipeline. We start with demand but our task is not to propose a new model and generate new numbers. We must review the model chosen by DTZ and the assumptions on which it is based by reality checking them against economic trends, benchmark studies and our understanding of the North Hampshire property market.

### Demand modelling for North Hampshire

- 6.4 Demand forecasts were commissioned by Hampshire County Council from DTZ and produced in November 2005. The key stages and basic processes behind their method are described in the diagram overleaf.
- 6.5 Overall the approach seems sensible insofar as the relationships between the variables of this model make sense.
- 6.6 However, the quality of the output from any model depends as much on the assumptions it uses as on its general framework and indeed, in this case, the assumptions have raised comments and debates. To try and settle the debate, in this section, we review the assumptions behind each stage of the model and ascertain how realistic they are.

Figure 6.1: DTZ model's framework



### Stage 1 : Deriving total employment figures

DTZ model	Reality check	RTP
<b>GVA</b>		
Annual growth rates: 2.5% 3.0% 3.5%	<ul style="list-style-type: none"> <li>▪ RES target: 3% annual growth</li> <li>▪ RES evidence base: 3.2% annual growth in Hampshire over 1997-03</li> <li>▪ Cambridge Econometrics Regional Economic Prospects (July07) forecast GVA growth of 2.9% for the period 2007-20</li> <li>▪ Experian forecasts of annual GVA growth for SEEDA<sup>21</sup> are 3.23% for Basingstoke &amp; Deane, 3.49 for Hart and 3.3% for Rushmoor between 2006-2020.</li> </ul>	<p>Any of the model assumptions are therefore reasonable; even the high scenario seems feasible.</p> <p><b>3% would represent the best central forecast</b></p>
<b>Productivity</b>		
2.0%  2.3% 2.5%	<ul style="list-style-type: none"> <li>▪ 2% is the long-term forecast for the UK from HM Treasury</li> <li>▪ 2.3 % is SEERA / Experian forecast for the South East</li> <li>▪ 2.2% is the implied productivity growth of the Cambridge Econometrics projections.</li> <li>▪ 2.5 is Deloitte's high forecast for SEEDA</li> </ul>	<p>These are standard benchmarks to use.</p> <p><b>2.3% would represent the best central forecast.</b></p>

- 6.7 In view of uncertainties inherent to long-term forecasts, we would suggest considering two preferred models:
- a lower scenario (Scenario 5: 3% GVA and 2.3% productivity growth) which takes a prudent, conservative approach; and
  - a higher one (Scenario 7: 3.5% GVA and 2.5% productivity growth) which reflects North Hampshire's performance compared to the South East and the UK as shown in Chapter 3. If this pattern continues, it is reasonable to expect higher GVA growth rates in North Hampshire than those projected for the region or the country.
- 6.8 At the end of this first stage, the DTZ model estimates total employment growth for the next 20 years in North Hampshire to range between 11,000 and 32,000 jobs. This would equate to an average annual employment growth rate of 0.3-0.9% between 2006-2026. Bearing in mind the limitations of the ABI data, we looked at year on year employment change over 1998-2005 and, although it varies widely, it has been mostly positive and averages at 1.9% per year for North Hampshire and 1.4% for the South East. We also checked against Experian forecasts for SEEDA and they imply annual employment growth rates of around 1% for each district until 2020.
- 6.9 As a result we would say that the assumptions chosen at this stage of the modelling process seem reasonable and the findings on the total employment forecasts between 2006-2026 sound, possibly even conservative.
- 6.10 Under our preferred scenarios, total employment in North Hampshire would increase between 19,200 (Scenario 5) and 30,500 (Scenario 7) between 2006-2026.

<sup>21</sup> SEEDA, *South East Plan Examination in Public - Economic and employment forecasts by local authority district*, 2006

### *Stage 2 : Estimating employment levels by sector*

<b>DTZ model</b>	<b>Reality check</b>	<b>RTP</b>
<b>Total Employment 2006-2026</b>		
Shift-share model based on South East figures and adapted to take into account North Hampshire's specific industrial structure as per Annual Business Inquiry (ABI) 2002 data.	Using one ABI year as the basis for a model can be risky given the unreliability of the data, especially at district level.  We checked the distribution of employment in the South East and North Hampshire for each year between 2000-2005 and concluded that 2002 is broadly representative of how North Hampshire's sectoral structure compares to the region.	OK

### *Stage 3 : Converting employment by sector into floorspace requirements*

- 6.11 This stage comprises of two steps. The first one is to convert the employment by sector into employment by use class. The second one is to translate this into floorspace by use class.

#### *From sector to use class*

- 6.12 In the previous stage, the DTZ model produces employment at a very broad sectoral level which is used as a basis for use class employment following the assumptions listed below.

<b>DTZ model assumptions</b>	<b>Reality check</b>	<b>RTP</b>
<b>Calculating B2</b>		
Use manufacturing as a proxy for B2 activities	B2 space is also occupied by a variety of other activities such as motor repair and some construction but manufacturing will be dominant.	Ok
Assume there will be no loss of B2 space	This assumption does not feel very robust. DTZ supports it by claiming that job losses may not lead to a reduction in land requirement due to capital intensification and the occasional impossibility of converting vacant industrial land to other uses.  We find a number of problems with this approach: <ul style="list-style-type: none"> <li>▪ The influence of capital intensification implies a lowering of job densities overtime in B2. This should be dealt with in the next stage of the model, as for all other use classes. Most importantly, as we have seen in Chapter 3, Table 3.6, densities have changed very little over time;</li> <li>▪ The contraction of employment in the manufacturing sector which has been occurring over the past few decades has not only been due to capital intensification i.e replacement of man by machine, it has been the result of deep structural changes in the economy which have led to a reduction in these activities. It has in turn led to a loss of industrial land. It is unclear why DTZ thinks that capitalisation intensification should suddenly become the only driver of change affecting the</li> </ul>	Although the explanation used by DTZ for their assumption seems sensible at first, it is not supported by in-depth research or local evidence and seems in contradiction with its own predictions of large job losses in manufacturing.  We feel B2 deserved to be included in the model and looked at in more detail, as the other sectors were.  The dramatic losses from the forecasts are in contradiction with the market demand for industrial land as explored in the last chapter.  All this means that it is unclear what the

	<p>manufacturing sector's land requirements for the future;</p> <ul style="list-style-type: none"> <li>▪ The DTZ model implies a loss of 7,100-8,900 jobs in manufacturing between 2006-2016 under the preferred scenarios. This would mean that in 2026 there will be half the manufacturing jobs in North Hampshire on more or less the same amount of land, halving job densities in manufacturing;</li> <li>▪ The latter argument on the impossibility of converting vacant industrial land might be true in some cases but it has also been proven not to apply to all sites. Recent developments in North Hampshire have led to changes of use from industrial to office or residential. These high value uses make such conversions attractive and put constant pressure on industrial land.</li> </ul>	<p>outcome will be for B2 land requirements and we should bear this in mind.</p>
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#### Calculating B8

25% of employment in "Distribution, retail, hotel and catering" is B8.	Using RTP's definition of B8, we found that this estimate is acceptable although it slightly underestimates the weight of Wholesale in North Hampshire.	Overall, ok.
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50% of employment in "Transport and Communication" is in B8	Using RTP's definition of B8, we found that 50% of B8 in the Transport & Communication can be used as an approximation in North Hampshire, albeit slightly over-optimistic.	
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#### Calculating B1

All "Banking, Finance & Insurance" employment is in B1a	It is a sensible and widely used assumption.	Ok
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50% of employment in "Transport and Communication" is in B1	<p>This is not in line with RTP's approach and there is no explanation as to how DTZ reached this number.</p> <p>We have found no way of reality checking this satisfactorily.</p>	<p>No comment.</p> <p>Could be over-estimated.</p>
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20% of employment in "Public administration, health & education" is in B1	This is considerably higher than RTP's definition which, for North Hampshire would suggest a figure of 8%	Over-estimated
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25% of "Other Services" is in B1	In line with RTP's definition.	Ok
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- 6.13 Using such broad sectors to derive employment by use class is very crude but overall, we feel that the DTZ figures for B1 and B8 are broadly sound although probably slightly over-estimated for B1.
- 6.14 However, as mentioned in the table, we also think that the decision to exclude B2 and the arguments used to justify that there will be no losses in B2 employment land were insufficiently justified and inconsistent with the forecast job losses in manufacturings.
- 6.15 Under our preferred scenarios office jobs would increase by between 19,300-26,800 and B8 jobs by 1,600 to 2,600.

*From employment to floorspace*

6.16 The second step in this stage is to convert these employment figures into floorspace requirements. Below we consider the job densities chosen by DTZ.

DTZ model	Reality check	RTP
B1: 20-25 sqm per worker	This is at the lower end of the job densities normally used for offices (even 20 sq m per worker) which tends to ignore the fact that new developments are more efficient in their use of space.  As we have seen earlier, changing work practices are unlikely to significantly change densities in the short term at least, but any pressure is in downward direction.	Although quite low compared to standard references, we retain the 20 sqm density.  We think that 25sqm per worker is too low but have left this in for subsequent sensitivity testing.
B8: 80 sqm per worker	This is also at the lower end of job densities and is usually a figure used for national strategic distribution centres. This is not the type of activity present in North Hampshire.	We think a density of 60 sq m per worker would be more realistic

6.17 For this stage of the model, we feel that there might be some over-estimation of the need for B8 floorspace. It may be useful for the districts to understand their warehousing sector better as switching from 80 sq m to 60 sqm as suggested would represent a 25% drop in floorspace requirement.

6.18 This means that:

- under scenario 5, an additional 385,100-481,300 sqm of office floorspace and 131,500 sqm of B8 space would be required;
- under scenario 7, requirements for floorspace would reach 535,700-669,000 sqm for offices and 205,000 sqm for B8.

6.19 We want to point out that the model does not specify whether the job density figures refer to gross or net, internal or external area. This is not insignificant as these floorspace figures are the basis on which plot ratios are applied in the next stage. Adjusting between internal and external area impacts on this floorspace base number. DTZ use these numbers as they are and our job is not to create new forecasts so we adopt their approach but some clarification on this issue would have been valuable. It would also have helped use judge the appropriateness of the job density ratios with more confidence.

*Stage 4 : Deriving estimates of land requirements*

6.20 The DTZ model uses two plot ratios, listed below, one for offices and one for B8.

DTZ model	Reality check	RTP
Plot density for offices: 70%	As mentioned in Chapter 4, the average plot ratio for permissions in the pipeline in North Hampshire is 34%.  This sets the pattern of office supply for the foreseeable future and the type of developments that are coming forward. It means that North Hampshire will not attain this high 70% plot density as an average, although it might achieve it on some individual sites.	Unrealistic.
Plot density for B8: 35%	Plot ratio of B8 permissions in North Hampshire is 33%.	Ok

6.21 The model assumes that the additional floorspace requirement will have to be met by new developments and the use of new land. Of course, this is not necessarily the case

as intensification and redevelopment can reduce the need for new land. We will address this question in more details in the following chapter when we look at supply.

## Conclusions

6.22 The DTZ model findings can be summarised in the following table.

**Table 6.1: DTZ final forecasts of employment land requirements**

Scenario	GVA growth p.a	Prod. Growth p.a	B1a office		B8		Total B-space land (ha)
			Floorspace (sqm)	Land (ha)	Floorspace (sqm)	Land (ha)	
1	2.5%	1.9%	302,900-378,600	45-55	112,600	30	75-85
2	2.5%	2.0%	277,000-646,300	40-50	88,700	25	65-75
3	3.0%	2.0%	494,800-618,500	70-90	228,200	65	135-155
4	3.0%	2.2%	414,900-518,600	60-75	157,800	45	105-120
5	3.0%	2.3%	385,100-481,300	55-70	131,500	40	95-110
6	3.0%	2.5%	320,700-400,900	45-55	89,000	25	70-85
7	3.5%	2.5%	535,700-669,600	75-95	205,000	60	135-155
8	3.5%	2.7%	463,600-579,500	65-85	144,300	40	105-125

Source: DTZ

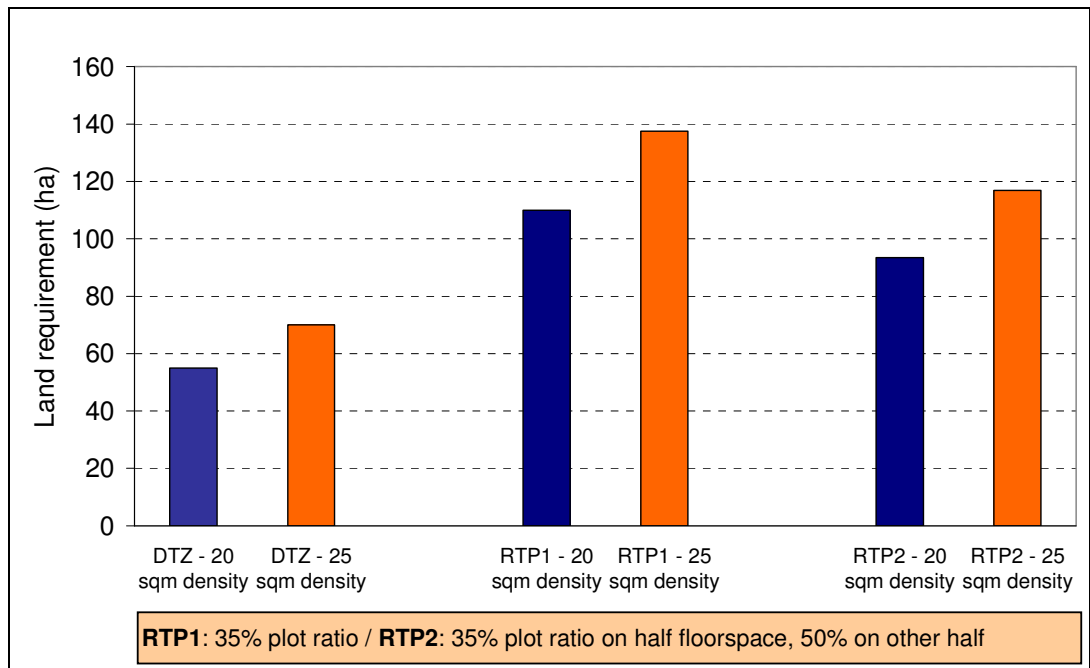
6.23 Looking back on each of the stages in the model, we can conclude that:

- Regarding offices: the forecasts provide an acceptable, although probably slightly over-estimated, picture of future floorspace needs. However, ultimately, the model critically under-estimates the land requirements for offices, by applying a ratio of 70%.
- The picture for B8 land requirements is less certain but we think they might be over-estimated because the job density used is too low.

6.24 The best way to understand the implications of our own findings so far is to look at how the changes we suggested in the assumptions could affect the final estimates of employment land requirements.

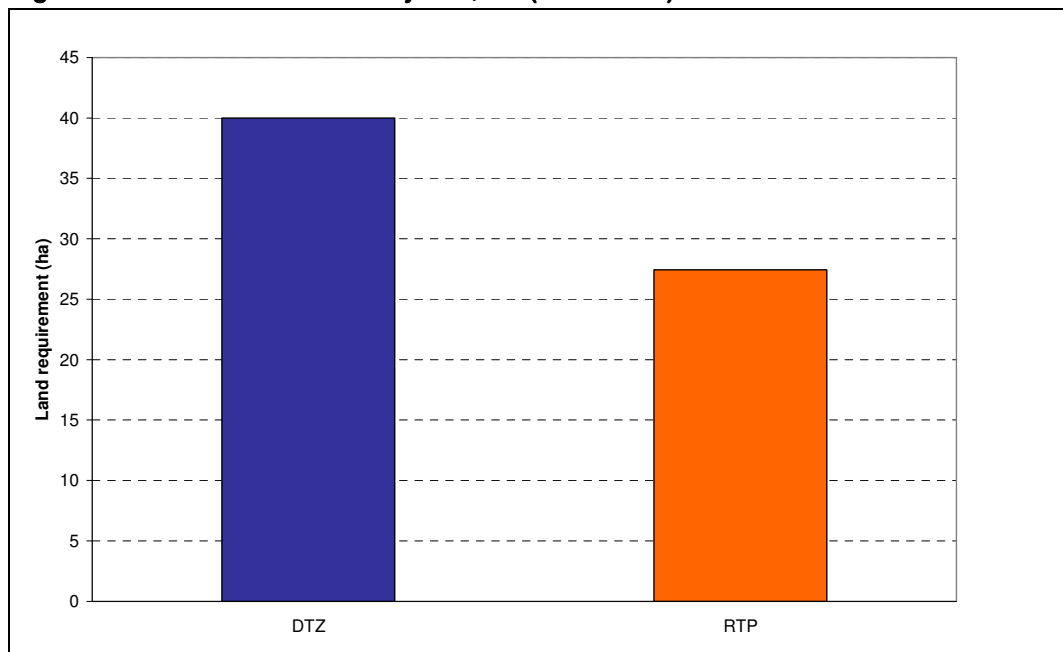
6.25 Figure 7.2 below illustrates this point by applying our assumptions for offices to the Scenario 5. To allow for the possibility of plot density rising over time we have generated to sets of numbers: RTP1 uses a flat 35% ratio whilst RTP2 allows for plot density to rise to 50% by applying the 35% ratio to half of the floorspace figure and 50% to the other. This is a rather crude way to allow for intensification of use over time but the DTZ data is not available on yearly basis which means cannot build a timeline.

**Figure 6.2 : DTZ model sensitivity test, offices (scenario 5)**



- 6.26 As a result of these changes, land requirements for offices double from 55-70 ha to 110-138ha under RTP1 and expand by approximately 70% to 94-117 ha under RTP2 assumptions.
- 6.27 In Figure 6.3 we compare the DTZ results for B8 with what would happen if we used a 60 sqm job density when calculating the need for floorspace. Such a change leads to a reduction in the land requirement for B8 use of 31%, from 40 ha to 27 ha.

**Figure 6.3: DTZ model sensitivity test, B8 (scenario 5)**



- 6.28 The table below lists RTP's figures for all the scenarios.

**Table 6.2 : RTP suggested forecasts**

Scenario	B1a office		B8		Total B-space land (ha) RTP1	Total B-space land (ha) RTP2	
	Floorspace (sqm)	Land (ha) RTP1	Land (ha) RTP2	Floorspace (sqm)			Land (ha)
1	302,900-378,600	87-108	74-92	84,000	24	111-132	98-116
2	277,000-646,300	79-185	67-157	66,000	19	98-204	86-176
3	494,800-618,500	141-177	120-150	174,000	50	191-226	170-200
4	414,900-518,600	119-148	101-126	120,000	34	153-182	135-160
5	385,100-481,300	110-138	94-117	96,000	27	137-165	121-144
6	320,700-400,900	92-115	78-97	66,000	19	110-133	97-116
7	535,700-669,600	153-191	130-163	156,000	45	198-236	175-207
8	463,600-579,500	132-166	113-141	108,000	31	163-196	143-172

6.29 The preferred scenarios would generate a need for total additional B-use land of:

- Scenario 5: 137-165 ha under RTP1 assumptions and 121-144ha under RTP2 assumptions.
- Scenario 7: 198-236 ha under RTP1 and 175-207 under RTP2.



## 7 FUTURE LAND SUPPLY AND MARKET BALANCE

7.1 In this chapter we look at the other side of the market equation, the future supply and its potential for intensification, to determine whether North Hampshire will need to provide additional employment land to support its economic growth over the next 20 years.

### Employment land supply

7.2 The supply of land available in North Hampshire can be defined as follows:

- The planned supply which is made up of outstanding planning permissions and allocations, excluding these allocations that are very unlikely to come forward as employment land (as agreed with the local authorities);
- Any existing surplus vacant space, over and above the 'equilibrium vacancy' which is required for the smooth operation of the market - and which is estimated at 8% of stock.

7.3 The Hampshire supply schedule (as of April 2007 and updated with Rushmoor 2008 information) is our source of quantitative information on land supply in North Hampshire.

7.4 At this point in time, the total pipeline in North Hampshire represents 199 ha of land (allocations and permissions) and 457,173 sqm of floorspace (permissions only) as shown in Table 7.1 below.

7.5 As a bulk figure, it is more than enough B-use land to cover the total requirements identified by DTZ and most of those estimated by RTP under the various scenarios explored in Chapter 6. It is also enough floorspace to address a large proportion of the needs identified under these scenarios, which is encouraging considering that there are another 65 ha of allocated but undeveloped land in the pipeline.

**Table 7.1: Total pipeline**

	Sqm (permissions only)	% of total	Ha (permissions only)	% of total	Ha (allocations & permissions)	% of total
Basingstoke & Deane	167,455	37	49.9	37	63.3	32
Hart	70,717	15	20.3	15	67.8	34
Rushmoor*	219,001	48	63.6	48	68.0	34
<b>Total</b>	<b>457,173</b>	<b>100</b>	<b>133.8</b>	<b>100</b>	<b>199.1</b>	<b>100</b>

Source: Hampshire County Council

\* most of it is in Farnborough Business Park

7.6 At first sight, this looks positive but:

- it highlights again the issue of the land intensive approach to employment land provision prevailing in North Hampshire;
- it is a total number not taking into account distribution by use class;
- It suggests that most of the development, in both land and floorspace, is not taking place in Basingstoke as intended by the South East Plan.

- 7.7 We need to develop a more accurate perspective on all these issues if we are to provide a valuable picture of market balance over the next 20 years. We start by looking at offices and B8 separately.
- 7.8 The categorisation in the database is not always very specific because limited information is available to the districts. As a result, a significant number of developments are recorded as “B1-8” without specification of the split between types of space. The table below explains how we have allocated permissions between B1 and B8.

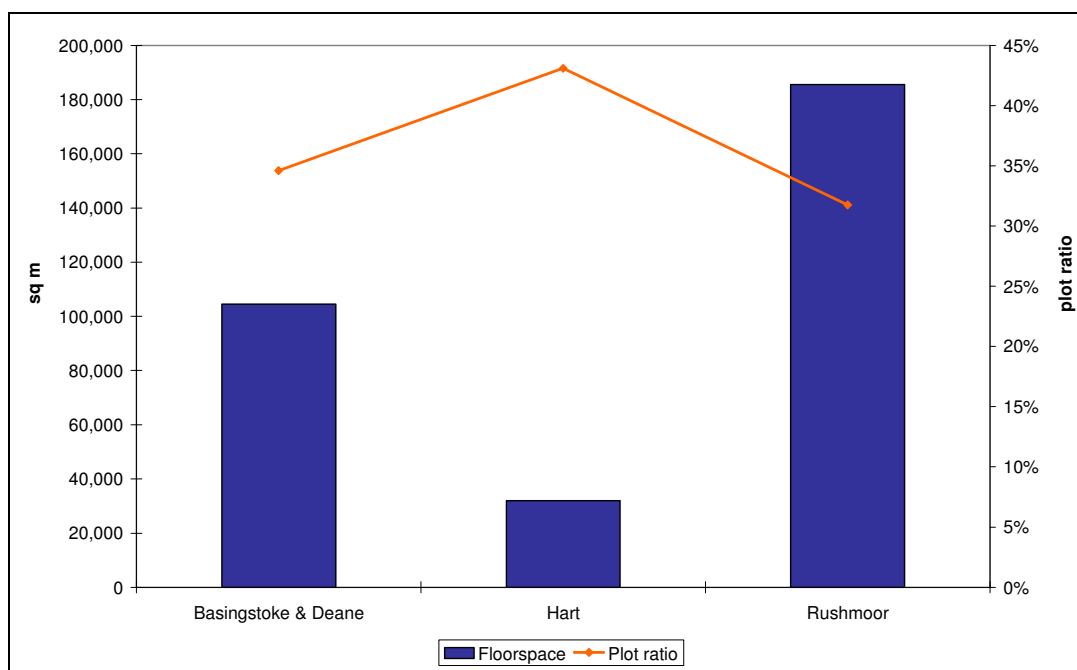
**Table 7.2: Converting pipeline permissions into B1 or B8**

Pipeline categories	RTP category
B1	B1
B1a	B1
B1b	B1
B1-8	B1 or B8 based on information provided in the supply database or by the local authority
B8	B8

### Office permissions

- 7.9 In total, there are about 322,000 sqm of office space under permission in North Hampshire. However, over half of these are in Rushmoor. This does not fit in with the desire to see most development occur in Basingstoke with the district only accounting for 32% of permitted office floorspace so far. This is in line with our market analysis which has shown Basingstoke’s lack of appeal for office developers due to low rents and high levels of availability.

**Figure 7.1 : Planned office floorspace (sqm) - permissions**

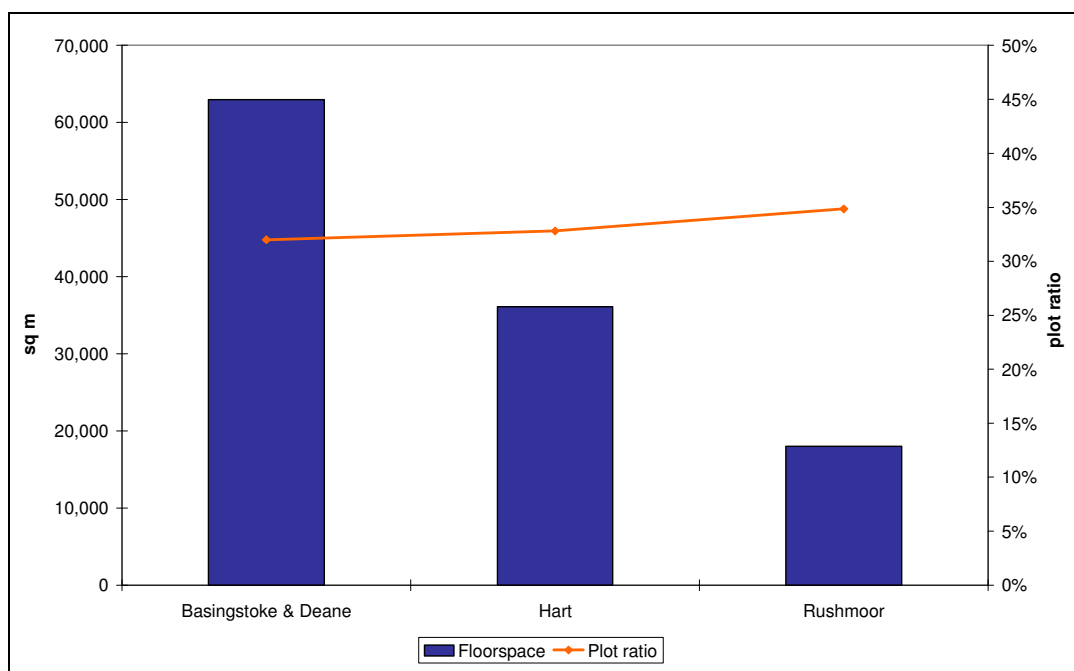


- 7.10 Figure 7.1 confirms the fact that the low development ratio applies to offices and across all districts, although it reaches 43% in Hart.

## B8 permissions

- 7.11 In total, there are approximately 117,000 sq m of permitted B8 development in the pipeline, 54% of this located in Basingstoke & Deane stressing its stronger appeal as an industrial / warehousing location. Again the plot ratio is low, hovering between 30-35%.

Figure 7.2 : Planned B8 floorspace - permissions



## Allocations

- 7.12 For the longer-term, there are another 65 ha allocated for employment land use in the pipeline, 47.5 ha of which are at Pyestock. As mentioned in the introduction we have excluded a handful of sites on the advice of the districts because they were considered very unlikely to come forward or to generate commercial interest in their current use.
- 7.13 Understandably, the use class for these sites has not been finalised. However, in order to provide a fair view of the potential space they could generate and therefore of the total future supply in North Hampshire, we must take this land into account when considering the future market balance. We will estimate the floorspace they might accommodate by consulting with the relevant district on the most likely use (B1 or B8 or a mix of the two) and assumptions regarding plot ratios, number of floors or floorspace based on past applications.

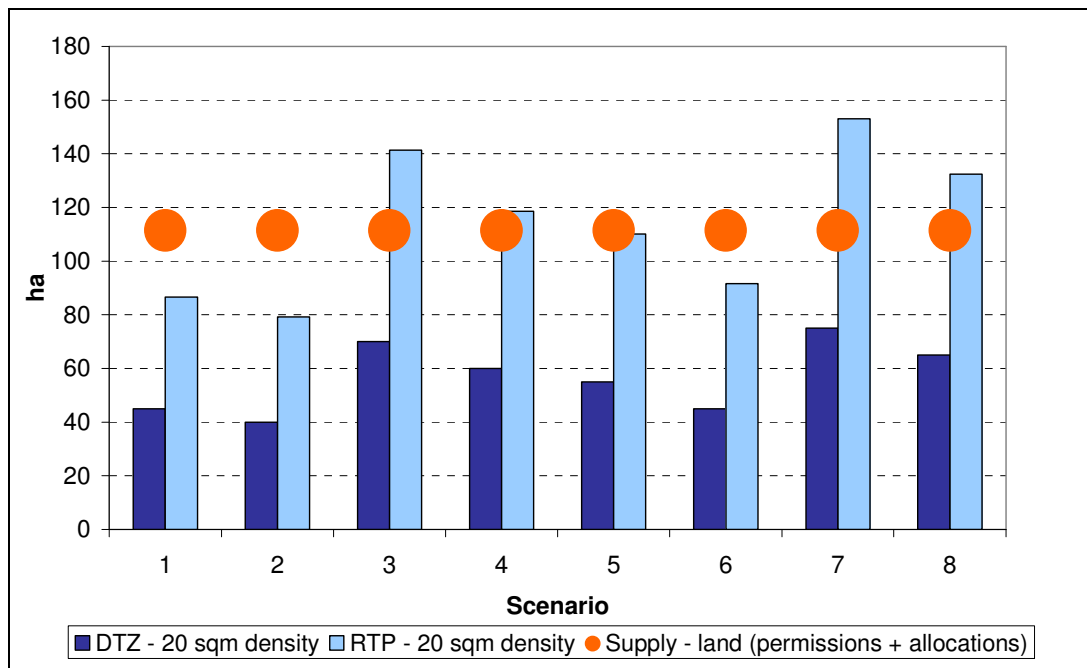
## Quantitative market balance

- 7.14 As seen before, with 199 ha of land, the total supply pipeline provides more than enough employment land to meet the total requirements of North Hampshire according to all DTZ scenarios: the maximum total land requirement for offices and B8 use according to DTZ is 155 ha.
- 7.15 However, given the low development density in North Hampshire and the high development density assumed in the DTZ model, the real issue is whether this large amount of land can supply the required floorspace for the future.
- 7.16 In the next sections, we look at the quantitative market balance by use class and we take into account the effect of RTP's suggested assumptions such as excluding the low 25 sqm density for B1 jobs.

### Offices

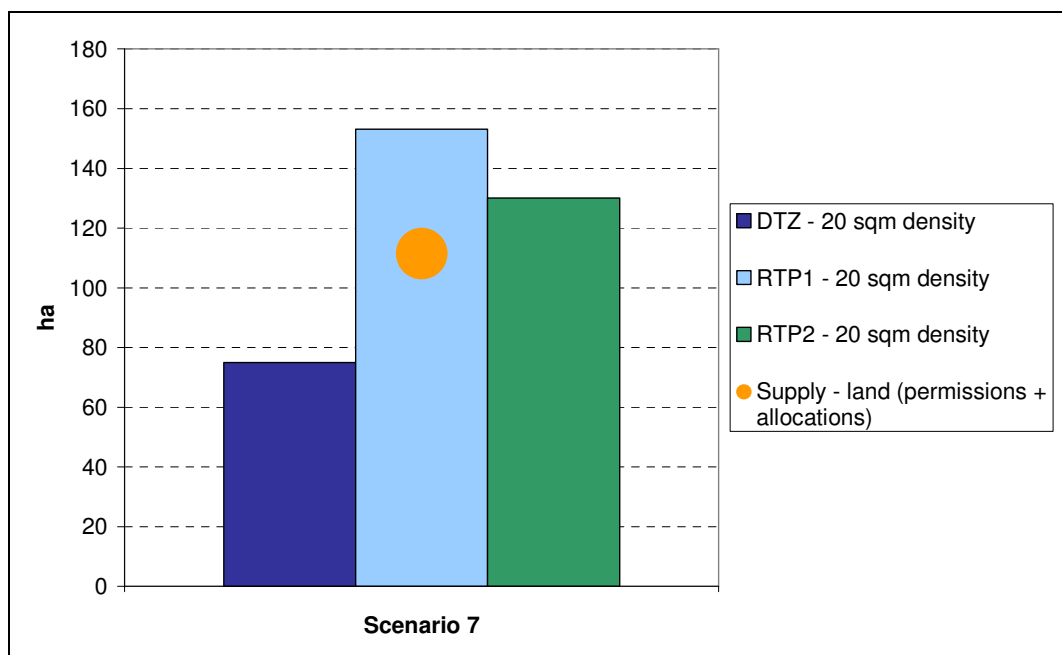
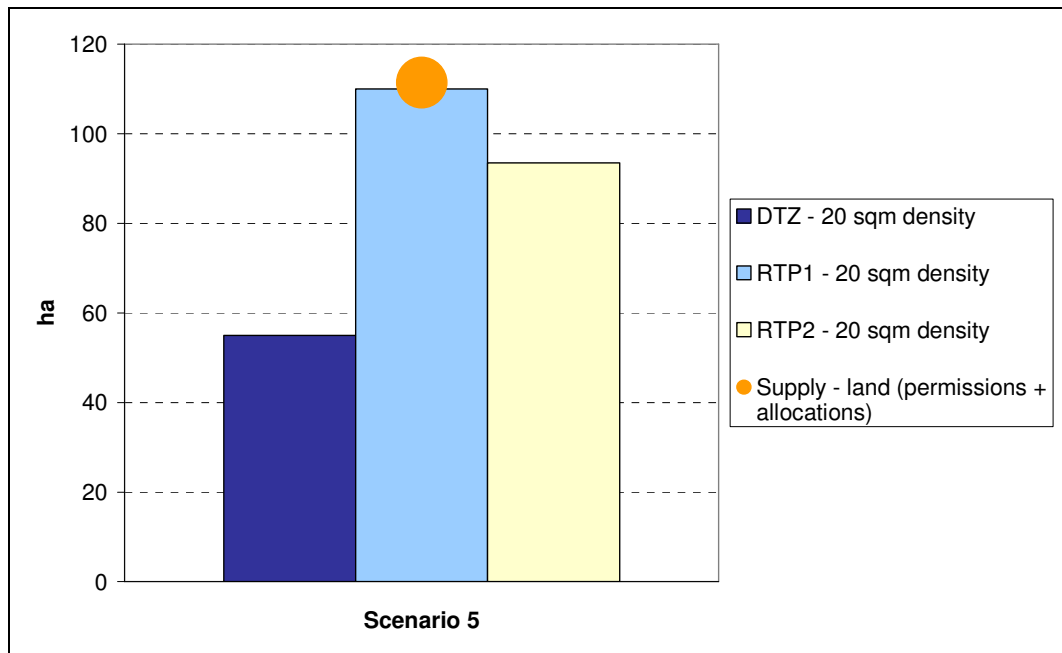
- 7.17 We start with the market balance for land. The total supply of B1 land is calculated by adding up sites with permissions for B1 use and allocations with likely B1 use (as agreed with the districts).
- 7.18 On Figure 7.3 it is apparent that based on DTZ's assumptions of a high plot density development approach, no additional land would be needed for offices, in fact there would be a significant over-supply under most scenarios.
- 7.19 If we take what we consider to be a more realistic approach and use a 35% plot ratio, some scenarios show a shortfall of land. In the worst case, it would reach 42 ha under Scenario 7, led by high GVA growth and high employment growth.

**Figure 7.3 : Market balance - land for offices (ha)**



- 7.20 If we look at the preferred scenarios in more depth (see Figure 7.4) and include a third approach (where we allow for some improvement in land use efficiency leading to 50% plot ratios) we find that the shortfall reduces to 19 ha in Scenario 7 while an over-supply is possible under Scenario 5.

**Figure 7.4 : Market balance - land for offices, Preferred Scenarios**

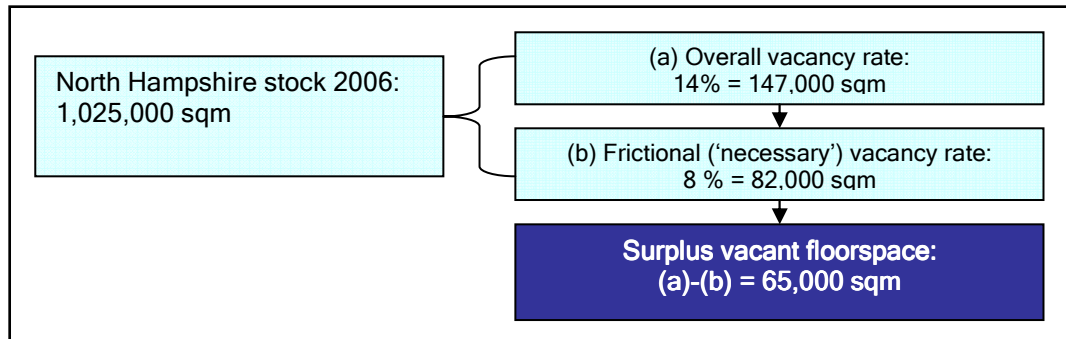


7.21 Whilst the final net land requirements for B1 will depend on the successful implementation of smart growth, the planning choices made by the districts and the potential for intensification in North Hampshire, office floorspace requirements are less flexible as job densities are unlikely to change significantly in the long-term. Floorspace needs are more directly linked to the level of employment growth forecast for the future. This is what we turn our attention to next.

7.22 As mentioned earlier, permitted office floorspace totals 322,144 sqm. To this, we add the floorspace which could be generated by sites allocated for B1 use. We also add any surplus vacant floorspace above the 'frictional vacancy rate' of 8%. The frictional vacancy rate is the amount of available land that is needed to allow the property market to operate efficiently. Businesses move over time; for this to happen smoothly

there needs to be some vacant land available at all time<sup>22</sup>. This is generally estimated at 8 to 10%.

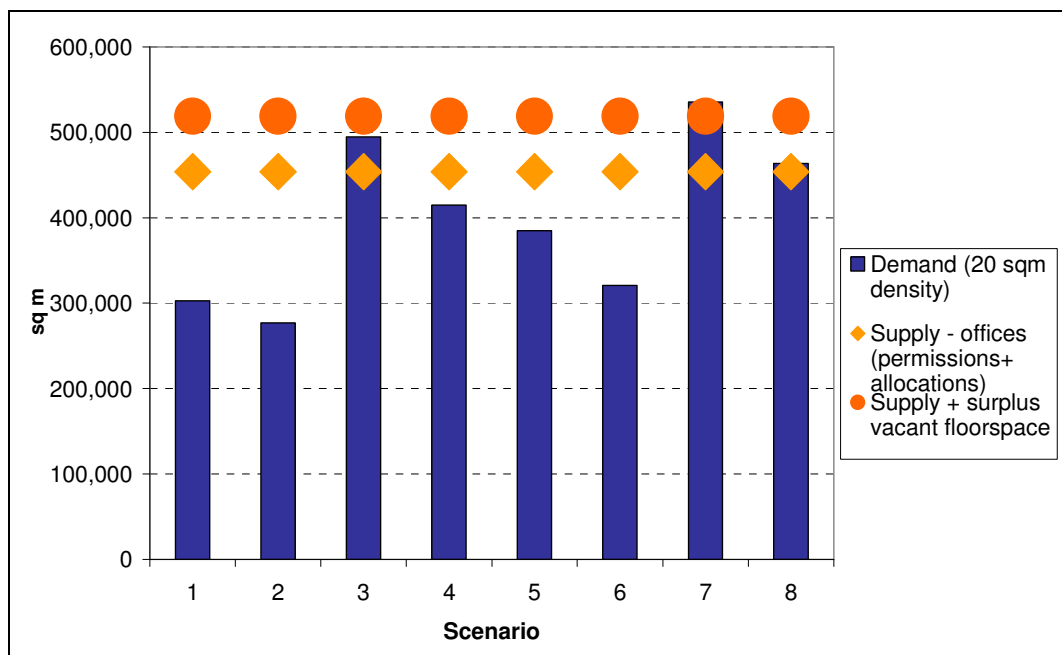
7.23 Using LSH information on vacancy rates in the districts' office market, we estimate surplus vacant floorspace in North Hampshire to be in the order of 65,000 sqm.



7.24 In total the office floorspace supply can be estimated at around 519,000 sqm broken down as follows: 322,000 sqm of permitted B1 floorspace + 132,000 sqm from allocations + 65,000 sqm of surplus vacant floorspace.

7.25 As shown in Figure 7.5, the pipeline for office floorspace covers North Hampshire's needs under most scenarios, included preferred Scenario 5. There is the possibility of a small shortfall (16,700 sqm) under Scenario 7. However, we must point out that the most likely outcome based on the model is a significant oversupply of office floorspace.

**Figure 7.5: Market balance - floorspace for offices**



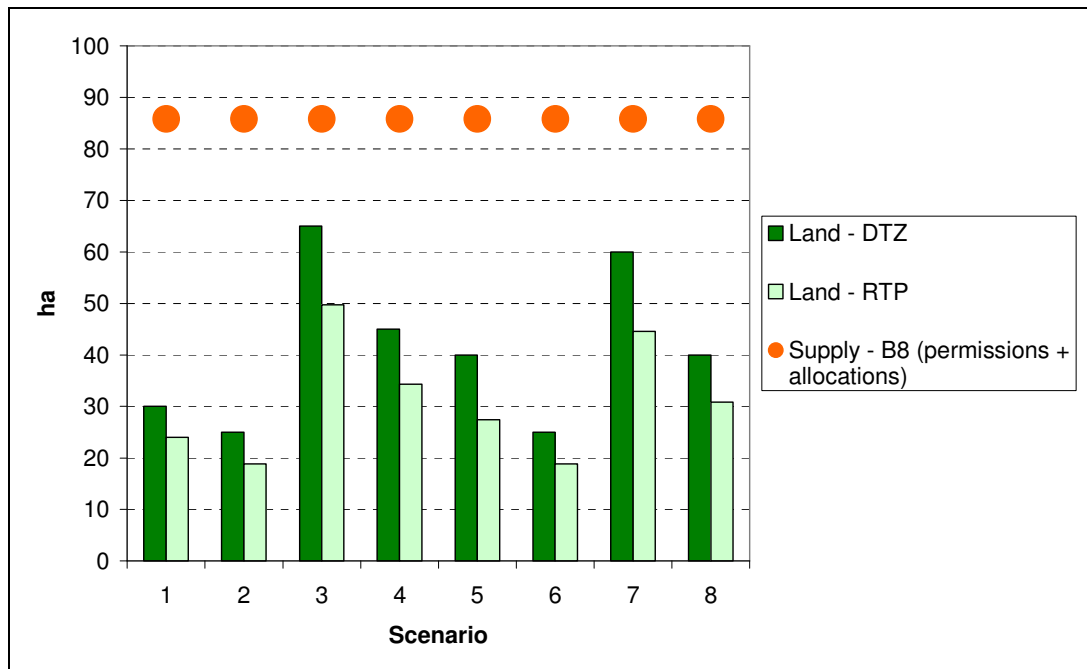
### B8

7.26 As far as we are concerned, the forecasts for B8 overestimate the need for floorspace because they use a low density of 80 sqm. In this section, we investigate the market balance for the future in North Hampshire and compare the results depending on whether an 80 sqm or 60 sqm job density is used.

<sup>22</sup> GLA, *London Industrial Land Release Benchmarks*, April 2007

7.27 Based on the same approach as for offices, we arrive at the following figures for B8 land: 36 ha of land with permitted B8 use and a total pipeline of 86ha including allocations. The majority of the allocated space is located at Pyestock (Hart). This site is 47.5 ha and most likely to be used for B8 activities. Because of its size and location it could be considered as a strategic regional site rather than as a local one.

**Figure 7.6: Market balance - land for B8 (ha)**



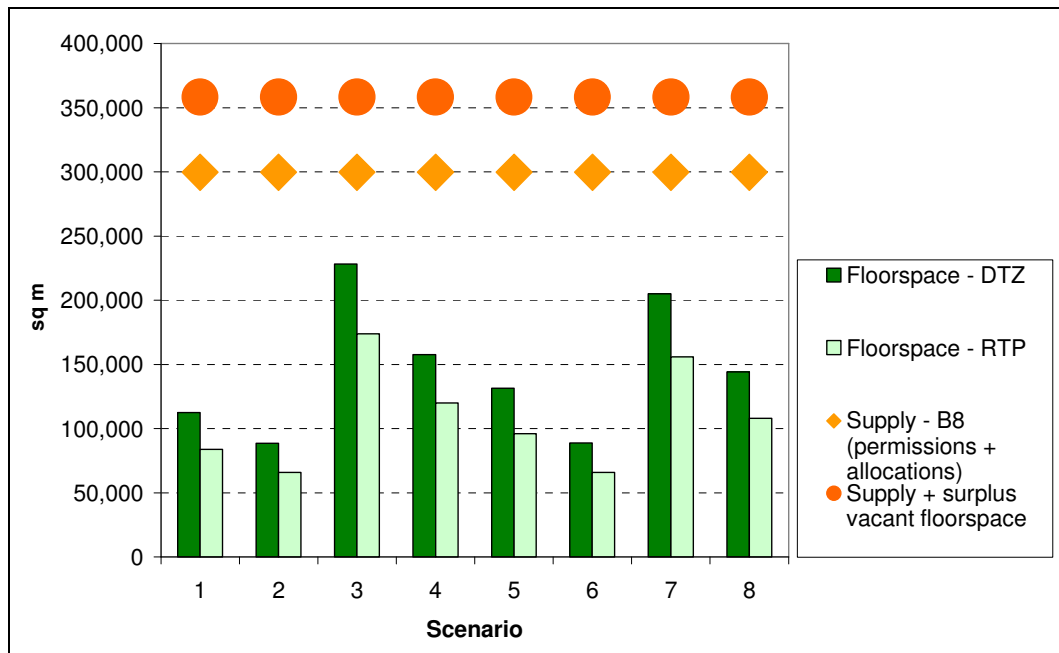
7.28 The current supply would result in a significant over-supply of B8 land under all scenarios whether using RTP or DTZ's assumptions. This is as important an issue as a potential shortfall as it can affect the performance of the property market so the districts of North Hampshire will have to be cautious in releasing more land for B8 use.

7.29 As we turn to floorspace we follow the same method as for offices, adding permitted B8 floorspace, allocated B8 floorspace and any surplus vacant floorspace above the 'equilibrium vacancy rate' of 8% as we did for offices.

7.30 The permitted B8 supply of floorspace in the pipeline is 117,000. We estimate that the allocated land can generate another 182,700 sqm. Using LSH information on vacancy rates on the districts' office market, we estimate surplus vacant B8 floorspace in North Hampshire to be in the order of 58,800 sqm. This brings the total B8 floorspace supply to around 358,500 sq m.

7.31 As illustrated by Figure 7.7 below, the most likely outcome in terms of B8 floorspace is a significant over-supply. Under the Scenario 5 and Scenario 7, there could be an over-supply of B8 floorspace of 262,700 sqm and 202,500 sqm respectively.

Figure 7.7 : Market balance - Floorspace for B8 (sqm)



## The potential for intensification

- 7.32 Although it is unlikely in view of our findings, we need to explore the possibility of a shortfall and to what extent intensification of land may provide a solution. To address this question we combine:
- Lambert Smith Hampton's assessment of a number of key sites selected in agreement with the districts based on their knowledge of the property market;
  - Other studies on strategic sites and employment land use in North Hampshire;
  - Information gathered through our meetings with the districts.
- 7.33 The conclusion of this work is that the potential for intensification in North Hampshire is very limited due to the location and type of employment land on offer i.e the fact that most of the stock is located in edge-of-town business / industrial parks.
- 7.34 Car parking provision is a priority in such locations and will inevitably lead to low plot density. The potential for intensifying development by having decked car park areas is limited as it adds to the costs to investors. In a number of sites, especially in Basingstoke, the low rents preclude such additional and "unnecessary" costs. They already make speculative developments unappealing as it is.
- 7.35 In edge-of-town locations there are also environmental constraints which limit the height of buildings.
- 7.36 Finally, office developments are the most likely to provide potential for intensification but most sites in current B2-B8 use are in high demand and a change of use would not make sense. Therefore they are bound to continue operating at their existing 'industrial' densities.
- 7.37 Therefore, in edge-of-town business parks intensification is only likely to occur as sites and buildings become obsolete and in need of refurbishment and only on a very limited scale where the outlay of buildings becomes more efficient. It will not fundamentally alter plot ratios.
- 7.38 Increase in densities is more likely in town centres, the main site in North Hampshire being Basing View. However, low demand, accessibility, perception and ownership

issues create a complex situation which will have to be addressed before this can be achieved and to ensure Basingstoke & Deane Borough Council are able to fulfil the potential of Basingstoke's designation as a regional hub in the South East Plan.

## Conclusions

7.39 The conclusions to this chapter are that:

- A shortfall in B8 land or floorspace is highly improbable. North Hampshire is more likely to face an over-supply of land. This is an issue that needs to be monitored as it can affect the operation of the property market;
- A shortfall in land is only foreseen under one scenario, preferred Scenario 7, and would remain small. At this point we need to bear in mind that Scenario 7 is based on the assumption that high GVA growth is supported by comparatively higher employment growth than in some other scenarios and as such is not representative of the smart growth objectives of North Hampshire. All other scenarios show that the pipeline provides enough floorspace for B1 uses.
- Because of the type of space on offer in North Hampshire, an intensification of land use is unlikely to offer a realistic solution should there be a significant shortfall in land requirements.



## 8 CONCLUSIONS

8.1 At the end of this report, we can review and summarise our findings to provide answers to the questions raised in the brief:

- What quantity of employment land will be required in North Hampshire to support economic growth over the next 20 years?
- Can the current planned provision meet these requirements?
- How can local authorities address any shortfall?
- What is the likely geographical distribution of land by district and can Basingstoke fulfil the South East Plan ambitions?

### *What quantity of employment land will be required in North Hampshire to support economic growth over the next 20 years?*

8.2 The context which will influence employment land provision and in which it will occur is set in the South East Plan and the Regional Economic Strategy. It is one where smart growth becomes an imperative in order to combine economic wealth and environmental sustainability and where Basingstoke will have a crucial role to play as a Diamond for Investment and Growth and a regional hub.

8.3 The extent to which North Hampshire can deliver smart growth will determine the scale of its employment growth and ultimately the need for land. Based on its economic structure, the presence of highly skilled residents and its location in a competitive, well-connected area, North Hampshire is in a better position than other parts of the country to achieve growth but will face a number of challenges to change the process by which it occurs in order to deliver smart growth.

8.4 It is also worth pointing out that the district with the highest expectations from a strategic point of view i.e Basingstoke & Deane is also the one which may be in the weakest position to deliver them. However, it is encouraging that the council has identified the key hurdles towards economic performance and devised a plan to address them.

8.5 DTZ explored a number of scenarios based on assumptions regarding GVA and productivity growth and our first step was to select two preferred scenarios to reflect the possible range of outcomes over such a long time period.

8.6 The preferred scenario (Scenario 5) selected for this study assumes a 3% GVA growth and 2.3% productivity growth. This is most closely aligned to current forecasts. According to the model this would lead to the creation of 19,300 additional office-based jobs and 1,600 B8 jobs. Whilst this scenario supports smart growth principles by relying strongly on productivity gains to achieve increased wealth, it is conservative in terms of GVA growth expectations given North Hampshire's past performance compared to the South East and England.

8.7 For this reason we also selected a "high" preferred scenario which assumes a 3.5% GVA growth and 2.5% productivity growth. According to the model this would lead to the creation of 26,800 additional office-based jobs and 2,600 B8 jobs. This is a more employment-intensive model which is less in line with smart growth objectives but reflects North Hampshire performance better in GVA terms.

8.8 The implications of the models in terms of land and floorspace differ according to DTZ and RTP. Our review of the DTZ model led us to four key conclusions:

- The need for B8 floorspace was over-estimated due to the use of a low density (80 sqm per worker). We suggested using 60 sqm per worker, in itself a conservative choice.

- The use of a 70% plot ratio for office development is unrealistic for North Hampshire and leads to a critical under-estimation of the amount of land needed to house the expected growth in B1 employment. We feel a 35% ratio is more realistic and we have also explored the potential for this ratio to rise to 50% in the future.
  - Taking B2 out of the analysis was not convincingly justified.
  - Although we kept it as a measure of sensitivity, we feel a 25 sq m per worker employment density is too low.
- 8.9 According to DTZ the total land requirement for B1 and B8 under the low scenario amounts to 95 ha. According to RTP, it totals 137 ha with a 35% plot ratio and approximately 121 ha allowing for a rise to a 50% plot ratio over time.
- 8.10 For the high scenario, DTZ projections suggest a total land requirement for B1 and B8 of 135 ha. RTP estimates it ranging from 198 ha to 175 ha.

### *Can the current planned provision meet these requirements?*

- 8.11 To turn these figures into useful information for future policy making, we need to look at the market balance between this expected need for employment land and the planned provision of B1 and B8 space in North Hampshire. Hampshire County Council provided us with a supply schedule including allocations and permissions as of April 2007 which served as a basis for the pipeline. We also added an estimate of surplus vacant floorspace for a more accurate view of available space in the area.
- 8.12 Our analysis led us to believe that a shortfall in land and floorspace for B1 and B8 use is unlikely in North Hampshire over the next 20 years. Only under DTZ Scenario 7 is there a gap between the B1 floorspace requirements and the pipeline, however it is small at 16,600 sqm.
- 8.13 Far more likely for North Hampshire is the possibility of an over-supply in employment space. For this reason we would suggest closely monitoring the land supply.
- 8.14 Finally, we must stress our analysis is mostly quantitative and as such has not explored the qualitative aspects of the North Hampshire property market in depth. The high levels of vacancy in some parts of the market indicate some mismatch between business requirements in terms of quality, location and the sites / premises on offer. This space has remained vacant for a reason and may not constitute a marketable offer for occupiers. This means that whilst there might be space, the premises / sites available may not be the right ones. This needs to be fully understood to inform planning policies. Local authorities may need to make new allocations that are more attractive to market needs, but would then need to release a similar quantity of land for other uses.

### *How to address any shortfall?*

- 8.15 Should a need for additional land appear, we need to understand to what extent an intensification of land offers a viable option to address it.

### *Potential for intensification*

- 8.16 We found that the potential for intensification in all North Hampshire districts is very limited and should not be relied on as a realistic solution to meet any need for additional land in the future. The model on which these districts have built their commercial offer relies heavily on cars and that leads to low plot densities. Basing View is the only location where this might happen on a large scale. Whilst pressure to promote more sustainable models intensifies, it is unlikely to transform North Hampshire employment land provision in the short or medium term.

## *B2*

- 8.17 Although it is impossible to quantify as B2 was not included in the DTZ analysis, there might be a reduction in B2 land requirements which could supplement the reserve from which the districts may draw should they need to.
- 8.18 The DTZ model forecasts a loss of around 7,100 jobs in manufacturing under the low preferred scenario (-48% of employment in the sector) and 8,900 under the high scenario (-56%). Despite this dramatic drop in job numbers, DTZ argues that there will be no decrease in industrial land requirements because capital intensification will compensate for it. We feel that this is an assumption that needs to be explored in more depth especially considering the amount of land it represents: in 2004, there were 674,000 sq m of factory space in North Hampshire.
- 8.19 Should this be the case, the districts need to be ready to consider a transfer of use and how to make the most of it in view of the market situation and site specifications. This calls for a willingness to review allocations over time and may also apply to some B8 sites as a significant over-supply is likely over the next 20 years.
- 8.20 At all times during the plan period sites will need to be available for new development, even for manufacturing uses that are declining in net terms. But as well as finding land for gross new development the planning system must identify and recycle redundant manufacturing land over the plan period.
- 8.21 This leads us to our next point on flexibility and sensitivity.

### *Flexibility and sensitivity*

- 8.22 Whilst it is crucial to provide enough land to accommodate economic activity in North Hampshire, it is equally important to strike the right balance in terms of the quantity and quality of the offer. A large over-supply of land can be detrimental to the operation of the property market as well as preventing the districts from addressing their other imperatives, especially housing.
- 8.23 At this point in time and in view of our findings, we would therefore suggest the best approach is a flexible one based on regular monitoring combined with a sound understanding of the local property market to avoid responding to cyclic fluctuations which are not representative of long-term trends.
- 8.24 Another reason to favour a flexible approach is the growing pressure from policy-makers and individuals alike to take into account environmental imperatives and act upon them. This will continue to transform what can be built, where, how, what businesses seek and further support the need for sustainable practices. This cannot be overlooked as it is undoubtedly going to be one of the strongest transformational drivers for the long-term.
- 8.25 The monitoring should regularly review both the frictional component of supply and the net change component. In each case this must be done by use-type.

### *What is the likely geographical distribution of land and can Basingstoke meet targets?*

- 8.26 The main strategic goal in terms of employment land allocation is to boost the role of Basingstoke as a regional office hub and the South East Plan states that, should there be one, most of the shortfall shall be located there.
- 8.27 As it is, 50% of office stock and only 32% of permitted office floorspace in North Hampshire are in Basingstoke & Deane. These figures combined with our property market assessment mean that whilst Basingstoke & Deane may account for most of North Hampshire's industrial space, the likelihood of this being the case for offices is more challenging. Basingstoke is popular as an industrial / warehousing destination but struggles to compete as an office destination. However, the Council are working towards a plan to rejuvenate Basing View and there is the potential for 116,500 sqm of

offices on allocated sites. Only time will tell if the proposed development framework produced by the council will come to fruition and transform the city's image and performance as a business location.

- 8.28 Further work would be required to establish a more detailed picture of the geographical distribution of future land requirements. However, the employment land study carried out for Hart suggests that should Pyestock come through, a need for additional land would be unlikely<sup>23</sup>. Our on-going study for Rushmoor suggests that there is likely to be an oversupply of office floorspace and a slight undersupply for industrial / warehousing.
- 8.29 The districts' employment land reviews are a useful supplement to this study as they can not only provide insight into the geographical distribution of employment land requirements and provision but also crucial qualitative information on the mix of premises required by businesses.

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<sup>23</sup> Hart District Council, *Hart employment needs assessment*, 2006


## APPENDIX 1

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### SECTOR DEFINITIONS

# Knowledge based activities

## SIC 1992 class (4 digit)

2214 : Publishing of sound recordings 

## SIC 1992 group (3 digit)

223 : Reproduction of recorded media  
244 : Manufacture of pharmaceuticals etc  
300 : Manufacture: office machinery/computers  
311 : Manuf: electric motors/generators etc  
312 : Manuf: electricity distrib. apparatus  
314 : Manufacture of accumulators etc  
316 : Manufacture of electrical equipment nec  
321 : Manufacture of electronic valves etc  
322 : Manufacture of TV/radio transmitters etc  
323 : Manufacture of TV/radio receivers etc  
331 : Manuf: medical/surgical equipment nec  
332 : Manuf: instruments for measuring etc  
334 : Manufacture of optical instruments etc  
335 : Manufacture of watches and clocks  
353 : Manufacture of aircraft and spacecraft  
642 : Telecommunications  
741 : Accounting/book-keeping activities etc  
742 : Architectural/engineering activities etc  
743 : Technical testing and analysis  
744 : Advertising  
745 : Labour recruitment etc  
921 : Motion picture and video activities  
922 : Radio and television activities

## SIC 1992 division (2 digit)

65 : Financial intermediation, etc  
66 : Insurance and pension funding, etc  
67 : Act auxilliary financial intermediation  
72 : Computing and related activities  
73 : Research and development

## Regionally significant sectors

<b>Advanced Engineering</b>	<u>SIC 2003 class (4 digit)</u> 2941 : Manufacture of portable hand held power tools 2942 : Manufacture of metalworking machine tools 2943 : Manufacture of other machine tools not elsewhere classified 3130 : Manufacture of insulated wire and cable 3210 : Manufacture of electronic valves and tubes and other electronic components 3310 : Manufacture of medical and surgical equipment and orthopaedic appliances 3320 : Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment 3330 : Manufacture of industrial process control equipment 3340 : Manufacture of optical instruments and photographic equipment 3410 : Manufacture of motor vehicles 3420 : Manufacture of bodies (coachwork) for motor vehicles: manufacture of trailers and semi-trailers 3430 : Manufacture of parts and accessories for motor vehicles and their engines 3530 : Manufacture of aircraft and spacecraft
<b>Aerospace &amp; Defence</b>	353 : Manufacture of aircraft and spacecraft
<b>Environmental technologies</b>	<u>SIC 2003 class (4 digit)</u> 2923 : Manufacture of non-domestic cooling and ventilation equipment 3120 : Manufacture of electricity distribution and control apparatus 3710 : Recycling of metal waste and scrap 3720 : Recycling of non-metal waste and scrap 4100 : Collection, purification and distribution of water 4511 : Demolition and wrecking of buildings; earth moving 4524 : Construction of water projects 4532 : Insulation work activities 7430 : Technical testing and analysis 9001 : Collection and treatment of sewage 9002 : Collection and treatment of other waste 9003 : Sanitation, remediation and similar activities
<b>Financial &amp; Business Services</b>	<u>SIC 2003 class (2 digit)</u> 65 : Financial intermediation, except insurance and pension funding 66 : Insurance and pension funding, except compulsory social security 67 : Activities auxiliary to financial intermediation 70 : Real estate activities 71 : Renting of machinery and equipment without operator and of personal and household goods 72 : Computer and related activities 73 : Research and development 74 : Other business activities
<b>Healthcare technologies</b>	<u>SIC 2003 class (4 digit)</u> 2441 : Manufacture of basic pharmaceuticals 2442 : Manufacture of pharmaceutical preparations 3310 : Manufacture of medical and surgical equipment and orthopaedic appliances 7310 : Research and experimental development on natural sciences and engineering
<b>Logistics</b>	<u>SIC 2003 class</u> 51 : Wholesale trade and commission trade, except of motor vehicles and motorcycles 6024 : Freight transport by road 6030 : Transport via pipelines 6110 : Sea and coastal water transport 6120 : Inland water transport

	6311 : Cargo handling 6312 : Storage and warehousing 6321 : Other supporting land transport activities 6322 : Other supporting water transport activities
<b>Marine technologies</b>	<u>SIC 2003 class (4 digit)</u> 2911 : Manufacture of engines and turbines, except aircraft, vehicle and cycle engines 3511 : Building and repairing of ships 3512 : Building and repairing of pleasure and sporting boats
<b>Media technologies &amp; telecommunications</b>	<u>SIC 2003 class (2 digit)</u> 32 : Manufacture of radio, television and communication equipment and apparatus 64 : Post and telecommunications
<b>Property &amp; construction</b>	<u>SIC 2003 class (2 digit)</u> 45 : Construction
<b>Tourism</b>	<u>SIC 2003 group (3 digit)</u> 551 : Hotels 552 : Camping sites and other provision of short-stay accommodation 553 : Restaurants 554 : Bars 633 : Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified 925 : Library, archives, museums and other cultural activities 926 : Sporting activities 927 : Other recreational activities